

EB. 6
9 3 7

BUSINESS WEEK

BUSINESS INDICATOR



Universal News Reel

—AND GO—For government and business it's "go" on the job of rehabilitating the flood area.

McGraw-Hill

UNIVERSITY OF MICHIGAN
GENERAL LIBRARY
ANN ARBOR MICH

"TIME - *The wisest counselor of all*" POINTS THE WAY



In 1922, the Truscon Standard Building, illustrated above, was erected as a storage structure for a midwestern newspaper publisher. In 1925, a railroad purchased the building, dismantled it, moved the units to another city and re-erected it, as illustrated below. Today, this Truscon Building is as good as new.



TRUSCONIZE

Time can change conditions but not the salvage value of Truscon Standard Buildings. Erected from rust and corrosion resisting copper alloy steel units, every Truscon Standard Building provides the advantages of a permanent structure, yet can be dismantled and re-erected, *again and again*. • Truscon Standard Buildings offer an all-inclusive solution to many building problems. They combine wide selectivity of type, size and arrangement, speed of erection, fire-safety, low maintenance cost, permanence *and a constant salvage value of practically 100%*! Furthermore, Truscon is organized on a nationwide basis to function on all details . . . from plans to completed buildings. When you face a building problem, solve it promptly—TRUSCONIZE!

TRUSCON STEEL CO

YOUNGSTOWN, OHIO

57 SALES-ENGINEERING OFFICES . . . 24 WAREHOUSES

USE THIS FOR PROMPT RESPONSE
We are interested in the type of building you checked below.

Length.....Width.....Clear Height.....

SERIES-A—pitched roof type



SERIES-B—flat roof type



Name.....

Address.....

City.....State.....

FEBRUARY 1934

New

How well do you do your stuff in lines? Special? Please send me a week by G. E. foregathered in Chicago. Four did their house to a spect. With G. E. radio

WESTERN passenger executives who to regain lost through motor car, and Mid- with book yourself a tant part tion. Mo- tory of San Diego complete

THE copy to includ- ber of w- more, no- 25 outsta- cial exhib- ary) at- advertisi- that the Annual ing Art- touch a- sign for prize-w- He's d-

BANKS a bigger survey nancial publish- least 4 budget in fav- dow p- tions, bus ca- order.

WHEN or sh- service panie- 37,p-

BUSIN- size of weekly location Editori- York, volu- Chairm- R. R. 15.00 17.50 19.00 at the March by Mo-

New Business

How well can a good salesman do his stuff in lines far removed from his specialty? Partial answer was sought last week by Chicago Sales Executives Club foregathered at Hotel Bismarck, Chicago. Four good non-realty salesmen did their darnedest to sell an actual house to a hypothetical lukewarm prospect. Winnah—Walter O'Halloran, G.E. radio salesman.

WESTERN railroads, seeking to hold the passenger business of salesmen and executives who skip over the country and to regain any business they may have lost through use of the privately owned motor car, last week showered Chicago and Mid-Western business executives with booklets describing the drive-it-yourself motor systems. Least important part of the booklet was the description. Most important part was a directory of drive-it-yourself stations, from San Diego to Portland and Halifax, complete down to telephone numbers.

THE copybook rules of advertising used to include one that said the ideal number of words for a poster was 26, no more, no less. But those who see the 25 outstanding posters of 1936 in a special exhibit (running throughout February) at the offices of McCann-Erickson, advertising agency, New York, will note that the first prize-winner in the Seventh Annual Exhibition of Outdoor Advertising Art carried just 13 words—"For touch and go starting, buy at the Esso sign for happy motoring." Second prize-winner measured only seven—"He's doing fine—bought a Ford V-8."

BANKS are going in for advertising in a bigger way this year, according to a survey undertaken by the National Financial Advertisers Association and published in the *American Banker*. At least 44% are stepping up advertising budgets, with newspapers ranking first in favor as media. Direct mail, window posters, outdoor, sectional publications, radio, national magazines, car and bus cards follow in preference in this order.

WHEN a tugboat captain talks to ship or shore on the new radio-telephone service now offered by telephone companies in American ports (BW—Jan 23 '37, p 38) he uses a 50-watt installation,

BUSINESS WEEK (with which is combined The Magazine of Business) February 6, 1937, No. 383. Published weekly by McGraw-Hill Publishing Company, Inc., Publication office, 99-129 North Broadway, Albany, N. Y. Editorial and executive offices, 1221 W. 42nd St., New York, N. Y. James H. McGraw, Jr., Chairman; Malcolm Muir, President; James H. McGraw, Honorary Chairman; Glenn Griswold, Vice-President and Editor; R. H. Putnam, Treasurer; D. C. McGraw, Secretary. \$5.00 per year in U. S. A., possessions, and Canada; \$7.50 per year in all other foreign countries; 20c per copy. Entered as second-class matter December 4, 1936 at the post office at Albany, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1937 by McGraw-Hill Publishing Company, Inc.



NOISE

Calls a "SIT-DOWN" STRIKE Every Day in Your Office

How Leading Insurance Company Stepped Up Office Production Speed 12% By Quieting Routine Noises

TELEPHONES, typewriters, voices—You take the routine noises in your office for granted. Yet these very noises are stealing 10% of the time and work you pay for! They destroy concentration—slow up work—increase mistakes—cause tension and fatigue.

Hundreds of leading companies have ended this waste—at little expense—with Acousti-Celotex. A leading insurance company, for example, increased production in one office 12% by this simple office modernization.

Acousti-Celotex can be installed in your offices at night, over present ceilings, without interfering with office routine. It can be cleaned or painted repeatedly without loss of efficiency.

Learn now what Acousti-Celotex can do in your office. A Celotex acoustical expert will tell you honestly whether it will help you—where it is needed—and what it will cost. Mail the coupon now for a free survey of your offices—and for a new free booklet, "NOISE."

A FEW TYPICAL USERS

Aetna Life Insurance Co.
Celanese Corp. of America
Colgate-Palmolive-Peet
Commercial Investment Trust, Inc.
General Foods Corp.
Manufacturers Trust Co.
Mergenthaler Linotype Co.
National Distillers Products Corp.
Pittsburgh Plate Glass Co.
Shell Union Oil Corp.
20th Century-Fox Film Corp.
Union Carbide & Carbon Corp.

ACOUSTI-CELOTEX
SAYS "SHUT-UP" TO NOISE



AND ACOUSTI-CELOTEX
10 Pict-1946

PAINTABLE PERMANENT ACOUSTI-CELOTEX

TRADE MARK REGISTERED

U. S. PATENT OFFICE

Other Celotex Acoustical Products

CALICEL CALISTONE ABSORBEX VIBRAFRAM (formerly Heerwagen Tile)

THE CELOTEX CORPORATION
919 N. Michigan Avenue, Chicago, Ill.

BW 2-6-37

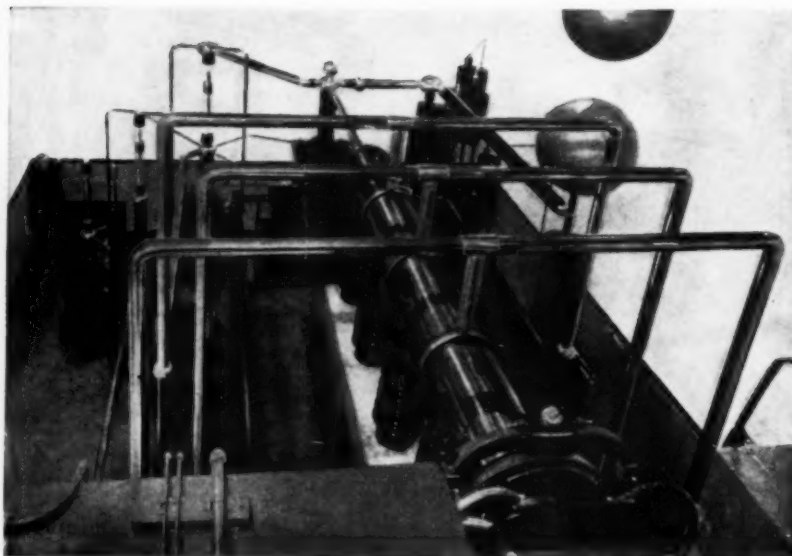
☐ Please send free copy of "NOISE." ☐ Have a Celotex expert make a free survey and give recommendations and cost of quieting our offices.

Name _____ Title _____

Company _____

Address _____

City _____ State _____



As Much As \$75,000,000 Worth Of Radium

THIS single x-ray tube produces as much radiation energy as would radium worth \$75,000,000. This tube—one of several developed and built by G-E scientists—is helping medical science to make further and more rapid gains in the battle against disease.

For more than 25 years, General Electric research scientists have led the steady improvement in x-ray development. From their work—with thousands of volts from giant transformers, with tanks of purified oil—have come better and ever better x-ray tubes. Physicians and surgeons have gained more compact and more powerful tools for diagnosis and therapy—better tools with which to safeguard your health.

Other developments in the Research Laboratory, in Schenectady, also work for better health. There is the inductotherm, which permits medical science to produce, at will, curative fevers in the patient's body. There are sources of ultraviolet radiation for the treatment of rickets in children. And in all these aids to medicine, the results of years of scientific investigation are being applied to the relief of suffering, to the treatment of disease, to the improvement of the health and well-being of millions of people.

G-E research has saved the public from ten to one hundred dollars for every dollar it has earned for General Electric

GENERAL  ELECTRIC

not a 50-cent one. After a fortnight of answering inquiries, even a wayward printer would know this.

If the question, Who directs American business, could be answered by the name of the man who holds the most directorships in American business, the answer would be J. Taney Wilcox, secretary



of the Pennsylvania Railroad. He is 109 times a director, according to the 1937 volume of Poor's Register of Directors. Knowing how directors' names get on prospect lists, charity lists and whatnot lists, one guesses that Mr. Wilcox would say that he was, in fact, the answer to the question, Who gets the biggest mail in America. Runners-up in the directorship list are Henry L. Doherty of Cities Service, Frederick E. Williamson of the New York Central, and H. B. Franklin of Radio Keith Corp.

ONE of the biggest of all "world conventions" is held by a single American organization. It's the world business congress of 1,300 representatives of International Business Machines Corp. and its affiliated companies, domestic and foreign. Held at the Waldorf-Astoria Hotel in New York last week, it brought together delegates from 19 countries that buy I.B.M. equipment. Principal speaker was President Thomas J. Watson, who is also deep in world business as chairman of the American section of the International Chamber of Commerce.

BOULDER DAM, All-American Canal, Grand Coulee, Florida Canal—in all upwards of 80 mighty projects are under way to change the face of the country. This week *Engineering News-Record* did a job that needed doing, caught up with every one of them, packed 'em in, one paragraph to each, in a nationwide roundup. To "Status of Major Projects" all interested are referred.

Washington Bulletin

WASHINGTON (Business Week Bureau)—President Roosevelt's almost leisurely consideration of new legislation to raise the Blue Eagle from the dust is deceptive. Swift action will follow soon, designed to bring to an early Supreme Court test new laws, involving such fundamental economic and social principles that their invalidation would unite labor and agriculture in support of a constitutional amendment. The President's strategy is to drop two birds with one stone.

Clear-Cut Issues

There will be no NRA or anything like it, according to present plans. The laws establishing minimum wage and maximum hour regulations for labor and controlled output for agriculture will be as nearly self-contained and self-enforcing as it is possible to make them. There is no intention of operating indefinitely under a suspended sentence of unconstitutionality. Both laws will carry a provision for quick trial in the lower courts, with an immediate and direct appeal to the Supreme Court. Time will be counted in weeks rather than in the months that dragged the NRA to its death.

Amendment Last Resort

While debate on amending the Constitution to curb the Supreme Court's power—an issue on which Borah of Idaho sounded off this week—will continue to be the favorite indoor sport at the Capitol, don't get the mistaken notion that the President, in throwing more laws to the white marble lions, is directly driving for a constitutional amendment. On the contrary, he is deliberately binding himself to a policy of "meeting the Court half-way" in the hope that an amendment can be avoided. The legislation will be framed with loving care by constitutional lawyers, but if this fails to woo the Court, Roosevelt is prepared to "bow to the demand" of the people, farmers and factory hands, for a constitutional amendment.

No Bargaining Involved

There is no thought of a *quid pro quo*, as such, for business. Roosevelt is sticking to fundamentals—wages, hours, and elimination of child labor; balanced production for agriculture. More effective law for the elimination of oppressive and unfair trade practices is in the making, but it is a side-issue in the President's mind. Neither will he permit his basic plan for agriculture to be endangered by the complications of crop insurance. That will be presented to Congress in a separate bill.

WHY UNEMPLOYMENT?

A congressional investigation of the whole subject of unemployment is in the offing as favorable consideration is given to the Hatch resolution for a search for possible remedies, particularly regarding displacement of workers by technological improvements. This will probably be overtaken by the findings of the Works Progress Administration's own study of the subject.

Studying Final Details

The President is candid himself in stating that his program is still in the study stage. However, the study is primarily devoted to practical questions that bear on the workability of various provisions before they are translated, slowly and with infinite care, into legislative terms.

Flying Far—Too Far

Pan American Airways' happy landing in China, foretold by Jim Farley's new 20-cent and 50-cent stamps, will put the world-girdling company in 38 countries and colonies with 40,000 miles of subsidized airways. P.A.A. is negotiating for flying permits with European countries and will bid for a U.S. transatlantic mail contract, probably this summer. Congressmen and domestic transport operators are becoming irked by their gentlemen's agreement with P.A.A. that "we stay in, you stay out" of the United States.

First Copper, Now Work-Clothes

As the Navy, on the third try, finally gets bids covering nearly half of its current copper requirements, critics of the Walsh-Healey Act accuse Sec. Perkins of again controverting congressional intent in setting up minimum wage rates for the men's work garment industry. Charges are dual: (1) new standards are based on average, rather than minimum, prevailing wages; (2) geographic differentials are ignored. The latter issue is not clear-cut in the present case, however, since the industry, fail-

ing to foresee the comma-chasing interpretation of the law, assumed that regional standards would be set and did not press the point. Special conditions in this industry might be construed to justify a single national standard, but the evident precedent is bound to hurt other industries.

Hard Lines for Amendments

More difficulty in getting congressional consent to Walsh-Healey amendments is predicted as a result of its use by Sec. Perkins as a club against regional wage differentials. The original act just squeezed through last spring on the distinct understanding that, in this particular, it would maintain the status quo. Southern congressmen will raise the dickens, insisting the lady has done 'em wrong.

Curbing Panhandlers

The Texas law to prorate natural gas production for prevention of waste can't be used for the straight proration of markets, says the Supreme Court. Its decision voiding an attempt to use the law to compel the pipe line companies with supplies of their own to buy part of their requirements from independent producers in the Panhandle throws further light on its ideas of where industry-control stops.

Blows to Budget Hopes

Balanced budget hopes or, more accurately, discussions, recede faster than time passes as strong congressional bloc for more liberal relief is only temporarily pacified by assurance that Harry Hopkins will put in for more money later—and as strikes threaten federal revenue from corporation and individual income taxes. With General Motors earnings for this year hit and a steel battle sure to come, tax returns for Mar. 15, 1938, already look much less rosy than when the President shaped his budget message a month ago.

Calling It Off

Final blow was delivered to Chairman Morgan's attempt to civilize the Administration's war against the utilities by the definite breaking off of negotiations between Commonwealth & Southern and TVA. Both sides were willing to continue the mutually profitable power interchange, but C.&S. insisted on continuation of the original territorial protection agreement and TVA refused to agree any longer to have its hands tied. They still are tied by the Gore injunction—but if and when that is dissolved, look out for looting.

Revising Social Security Act

Sensitive to the support that Sen. Vandenberg's demand for a bill of par-



Third National Building, Dayton, Ohio

LARGE DAYTON BUILDING CUTS STEAM CONSUMPTION

First Season Savings with Webster Moderator System
Total \$1,399.82

EXCEEDS WEBSTER ESTIMATE

Dayton, O. — The savings estimate which precedes every Webster Heating Modernization Program proved conservative in the case of Dayton's Third National Building, according to the record of performance for the first season after installation of the Webster Moderator System.

Owners of the Third National Building authorized installation of the Webster Moderator System on the basis of an estimated annual saving of \$1,139. The installation, made by Ganger Brothers, Dayton, modernization heating contractors, was completed March 1, 1935.

During 1935-36, the first complete season with the modernized system, actual savings exceeded the estimate by more than \$250. The cost of steam for heating, supplied from the street mains of the Dayton Power and Light Company, was \$1,399.82 less than in former years.

The monthly record of reduction in steam cost, corrected for degree day differences, was as follows: October, \$43.93; November, \$11.07; December, \$305.93; January, \$401.31; February, \$344.80; March, \$126.91; April, \$129.32; May, \$36.55.

This statement of performance and savings has been checked and verified as correct by Mr. Frank A. Sullivan, Building Manager of the Third National Building, who also reports a noticeable improvement in heating service. Since the distribution of steam has been balanced by accurately sized Webster Metering Offices, all sections of the building now heat evenly and rapidly.

If you are interested in heating new buildings, or in improved heating service and lower heating cost in your present building, address WARREN WEBSTER & CO., Camden, N. J. Pioneers of the Vacuum System of Steam Heating Branches in 60 principal U. S. Cities — Estab. 1888

particulars on Social Security Act amendments is picking up, the Social Security Board now is definitely working towards submission to Congress this session of recommendations for extensive revision. Exact timing is still uncertain, as court action may upset present plans.

Public Works Plans

Hung on the floods as a news peg, the report on water resources that the President submitted to Congress this week is an augury for transforming the old-time congressional pork-barrel into a long-time program of planned public works as an antidote for future depressions. Significantly the report, which has been in preparation for a year, goes far beyond flood control to include navigation improvements, sanitation, water supply, irrigation, power, and other uses of water; recommends correlation of state and local projects with those undertaken by federal government and includes a boost for government reorganization.

Quoddy Again

President Roosevelt stuck in his thumb and pulled out a plum from the report of the National Resources Committee. It was Quoddy. More revealing than any formal definition of the government power policy was his immediate request for a \$100,000 appropriation for a survey of the "economic" feasibility of the tidal power project. This forecasts a new fight in Congress which last year ordered a stop to work started with relief funds.

Curb for Damage Racket

Milked of upwards of \$5,000,000 a year in loss and damage claims on fresh fruits and vegetables, due chiefly to fear of traffic reprisals, the railroads react favorably to this week's recommendations by the Federal Trade Commission to protect them from this racket. In a situation with which the roads themselves have been unable to cope effectively, the proposal that the Interstate Commerce Commission be empowered to approve payment of claims will be studied by the Association of American Railroads to discover whether a practical means of clearance can be worked out.

Want Census This Year

Advancing to the fall of this year the regular census of population that ordinarily would be taken in 1940 is proposed by government experts who have rejected both the President's proposal for self-registration of the jobless and the Administration's old bugbear, a census of employed and unemployed. They wish to expand the population census to show a record of employed, partially employed, and

unemployed, based on a definition of such terms. Legislation is expected to materialize that will provide a complete picture of population and employment in future at relatively frequent intervals, probably five years.

How They Will Estimate

A careful census is expected to furnish a "base line" for estimating employment and unemployment in the intervening four years. The census will reveal the number of employed in 1936, listing them by industries, and also the total number of unemployed. Then next year, for example, various indexes, including the records of the Social Security Board, will show the shrinkages or gains in employment in a number of major industries. By applying these shrinkages or gains to the 1936 unemployment total, and by adding the number of new workers and deducting the number of deaths and of retirements on account of age, it will be possible to make a roughly accurate estimate of unemployment in 1937.

Faults in Voluntary Plan

Study has convinced the Central Statistical Board that voluntary registration of unemployed would present a hopelessly distorted picture. Many people, including aliens, would suspect that their registrations would somehow be used against them, and so they wouldn't register. On the other hand, in many families all the members would register, regardless of what their actual status as wage earners might be.

Ickes Keeps on Trying

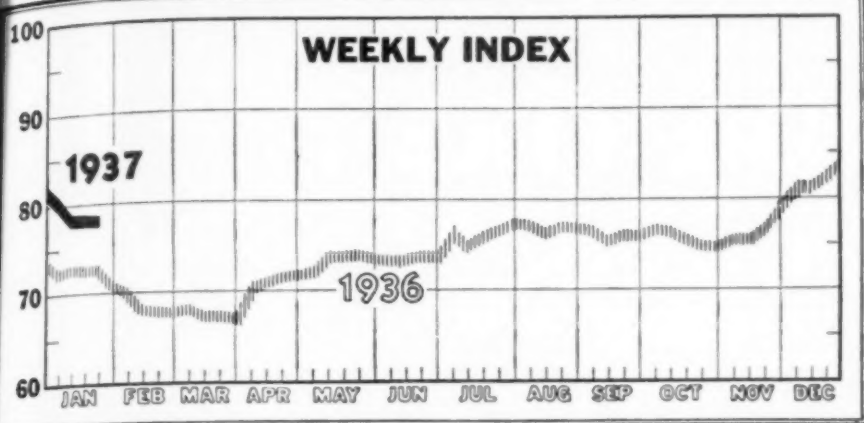
Ickes' Public Works Administration is maneuvering for a two-year extension of its authority to make new loans and grants for municipal projects out of \$300,000,000 earmarked for this purpose last year. About \$200,000,000 still remains as Roosevelt has been chary with his O.K. of allotments. Future PWA operations will be even slimmer if the President sticks to his purpose of limiting grants, now 45% of project cost, to the amount actually paid out in wages to workers taken from relief rolls.

Opposing Airtight Neutrality

Pressure against an airtight neutrality bill, which would deny discretion to the President on the theory that discretion to embargo is discretion to take sides, has not really been turned on yet—but it's coming. So far business interests and producers—cotton, for instance—are thinking comfortably that Roosevelt will win their battle for them. But they will rush in screaming murder after Senate debate gets hot.

FEBRUARY 6, 1937
BUS
100
90
80
70
60
PR
*S
*B
*B
*E
TF
*
*
*
*
P
F
These
are me
ages
weekly
ness
business
sented
top of
enable
genera
of bus
The
nes
the
con
and
wit

BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	*78.7
Preceding Week	†78.9
Month Ago	82.1
Year Ago	71.4
Average 1932-36	63.8

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
*Steel Ingot Operation (% of capacity).....	79.6	77.9	79.4	50.0	36.6
*Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)...	\$9,024	\$8,960	\$8,538	\$8,388	\$5,604
Engineering Construction Awards (<i>Engineering News-Record</i> , daily average)...	\$6,859	\$7,467	\$8,089	\$8,339	\$4,430
*Bituminous Coal (daily average, 1,000 tons).....	*1,533	†1,689	1,580	1,376	1,224
*Electric Power (million kw.-hr.).....	2,215	2,257	2,069	1,963	1,679

TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Carloadings (daily average, 1,000 cars).....	112	117	118	97	92
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	70	73	75	59	58
*Check Payments (outside N. Y. City, millions).....	*\$4,340	\$4,819	\$4,750	\$3,584	\$3,037
*Money in Circulation (Wednesday series, millions).....	\$6,318	\$6,339	\$6,550	\$5,693	\$5,467

PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.35	\$1.36	\$1.43	\$1.11	\$1.78
Cotton (middling, New York, lb.).....	13.29¢	13.03¢	12.95¢	11.64¢	9.72¢
Iron and Steel (Steel, composite, ton).....	\$36.62	†\$36.59	\$36.48	\$33.40	\$30.97
Copper (electrolytic, Connecticut Valley basis, lb.).....	13.00¢	13.00¢	12.00¢	9.25¢	7.62¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	205.3	206.6	207.4	169.7	126.8

FINANCE

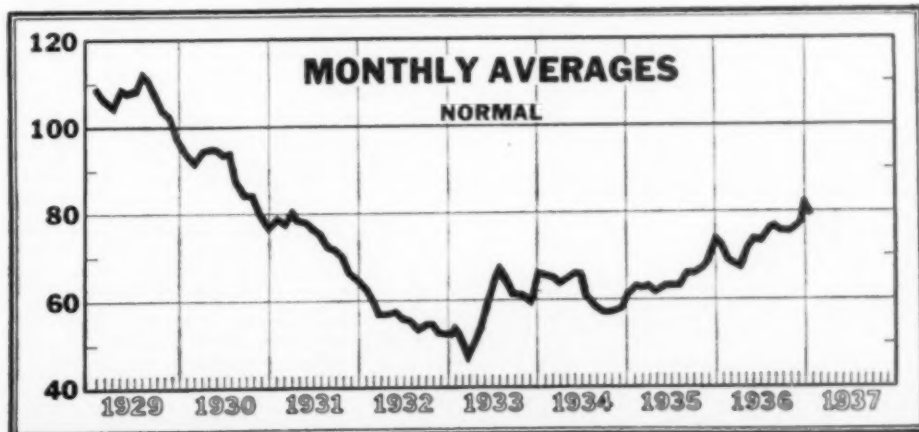
	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Bond Yields (Standard Statistics, average 45 bonds).....	4.20%	4.14%	4.21%	4.31%	5.25%
Interest Rates—Call Loans, Renewal, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	.75%	1.25%
Interest Rates—Prime Commercial Paper, N. Y. City (4-6 months).....	.75%	.75%	.75%	.75%	1.63%
Business Failures (Dun and Bradstreet, number).....	178	163	173	220	459

BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,472	2,468	2,484	2,470	2,295
Excess Reserves, all member banks (Wednesday series).....	2,150	2,130	1,950	3,087	1,367
Total Loans and Investments, reporting member banks.....	22,627	22,657	22,931	20,995	19,301
Commercial Loans, reporting member banks.....	4,549	†4,560	4,707	3,729	8
Security Loans, reporting member banks.....	3,242	3,210	3,326	3,128	3,945
U. S. Gov't. and Gov't. Guaranteed Obligations Held, reporting member banks.....	10,424	10,491	10,479	9,827	8
Other Securities Held, reporting member banks.....	3,260	3,243	3,263	3,169	8

*Factor in Business Week Index. *Preliminary. †Revised. ‡New Series, Excluding Real Estate Loans. §Not Available.

These monthly averages are merely simple averages of each month's weekly figures of *Business Week's* index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.



The Weekly Index of Business Activity is covered by the general copyright on the contents of *Business Week* and may not be reproduced without special permission.

NO NEED TO RISK BURNED RECORDS NOW!

2-HOUR FIRE PROTECTION

FOR VITAL LEDGER RECORDS
AT POINT OF USE



● Insurance doesn't cover record losses. And you need records to collect insurance. If its records gone, 43% of firms are never able to resume.



1 LOOK! A NEW FIREPROOF SAFE ON WHEELS! Gives two-hour fire protection. Rolls on rubber-tired wheels. Tamper proof lock assures "large vault" security.



2 OPENS AT A TOUCH. CLOSES, LOCKS IN TWO SECONDS! No need to leave your ledgers unprotected at any time. Even over the lunch hour the lid may be dropped into place protecting records completely.



3 GREATEST FILING RANGE EVER OFFERED in an insulated tray! Permits use of one to four lower trays handling any card or sheet up to 21" wide. Finished in either sitting or standing heights.



4 NOVEL TILTING FRONT PLATE provides ample working space quickly. An upward pull on the conveniently placed handle is the only action necessary. No follower blocks to shift.

MANY UNIQUE WORKING ADVANTAGES

CHECK THE plus values this new ledger tray offers in addition to two-hour certified fire protection!

For example, the filing range has been increased, offering the greatest flexibility ever developed in an insulated tray. The insert tray rises automatically when the top is opened, to the correct filing height. The new tilting front plate gives split-second access to work. The new tray rolls on quiet rubber-tired wheels to any part of the office—operator's station, reference point, executive's desk—giving "large vault" security to valuable papers wherever it is.

Don't wait until you've had a fire! Don't wait until irreplaceable ledger records have gone up in smoke! Investigate this

new Remington Rand Safe Ledger Tray now. Discover how little this real protection, these extra working advantages, really cost. Mail the coupon now for complete illustrated booklet. It's free.

Bring Your Office Up-To-Date

New Remington Rand developments can help you do these worthwhile things: Hold inventory down as sales increase. Speed collections. Increase sales through new methods of getting at business facts. Protect vital papers against loss. Improve filing efficiency and lower costs.

It costs nothing to find out about these developments. And they may save you real money. Check and mail the coupon today for complete information.

Remington Rand Inc., Dept. G-221
465 Washington Street, Buffalo, N. Y.

Without obligating me, please send me your booklet, "Could you collect on this?" I am also interested in ☐ new methods for reducing inventory; ☐ keeping closer control over sales; ☐ modern record protection; ☐ speeding up billing and improving collections; ☐ cutting filing costs.

Name.....

Firm Name.....

Street Address..... City and State.....

Ok..it's from
Remington Rand

The Business Outlook

TH the flood and the General Motors strike remained as chief influences on business sentiment this week, though the flood picture looked a bit brighter as the waters receded from the upper Ohio regions. The strike situation at General Motors, both in its immediate events and in the clues it afforded to possible strikes in other industries, was closely watched by all business. On the West coast, where shipping had been hampered by labor difficulties for more than three months, relief finally came with the end of the strike.

Effect of the Flood

Business Week's index for the week ended Jan. 30 reflects some disruption due to the flood. Louisville failed to report any record of check transactions. This week steel activity recovered part of the volume lost due to the flood. Construction has held remarkably steady over the past five weeks. Coal output is declining in seasonal order, with cold weather or the definite fear of a strike the only powers strong enough to turn the tide of normal spring curtailment. Power consumption, too, is in for the customary reduction from now until June. Last week's more than normal setback was due to flood disruption in the Ohio Valley, and in some part to the virtual shutdown of the General Motors plants.

How the Indexes Look

January business as a whole slackened its pace somewhat from that of December. *Business Week's* index averaged 79.4% of normal against 82.5% in the preceding month. The Federal Reserve Board's index of industrial and mining activity, which reached 121% of the 1923-1925 average in December when seasonally adjusted, probably fell to around 115%-118% last month. Automobile production for the month apparently averaged around 345,000 cars against 519,132 in December and 377,206 a year ago.

Steel Keeps Its Strength

Steel production, however, gave very little evidence of any curtailment, for the volume of business appearing from railroads, agricultural implement manufacturers, road machinery builders, refrigerator makers, and construction sources more than made up for any slackening from Detroit consumers or for operating interruptions in the flood areas in the last days of the month. Some of the bulge in incoming business was due to requirements of the steel industry that those who wished to take advantage of old price levels must make definite commitments

STEEL BUILDS MORE

New construction and equipment for the steel industry in 1937 is likely to top \$290,000,000, a 45% increase over 1936, according to the American Iron and Steel Institute. Some of this represents work begun in 1936. The balance covers projects to be started in 1937. The new consciousness of the rising importance of consumer goods lies behind the industry's sudden realization of deficient facilities to meet demands from these sources.

by Jan. 30. Some of it may be due to fears on the part of consumers that the steel industry is next in line for a tussle with the Lewis organization. April 1 looks like a critical date for both steel and coal, for the Committee for Industrial Organization has already threatened to present both industries with a list of "demands" by that date.

Construction Holds Up

The construction industry did pretty well last month, from all preliminary indications, and will approximate December's volume as compiled by F. W. Dodge. Home building and other building operations set a pace early in the month ahead of that of December and a year ago. The public construction end of the business alone failed to equal either previous period.

Oil and Gas Prices Rise

Crude oil producers in the Southwest who were beginning to get a bit worried about the price situation when the rest of the industry failed to follow the lead of Continental Oil Co. in boosting prices early in January were relieved this week to see oil-purchasing subsidiaries of Standard Oil of New Jersey post an average increase of 10½¢ a bbl. effective immediately. This wasn't as generous an offer as Continental had made previously, which amounted to 17¢,

but it erased the fear that the whole upward move might prove a fizzle. Gasoline tank-wagon prices were also raised, and apparently the motorist will soon be called upon to take a price advance.

Walsh-Healey Shock

Sec. Perkins put a scowl on many a face in the clothing trade this week when she announced a \$15 minimum wage for a 40-hour week in the men's work clothes industry, for those who would sell to the government. Containing the first standards set under the Walsh-Healey Act, the order aroused considerable comment as to what could be expected for other branches of the industry. The standards were generally considered high, and the usual allowances for differences in living costs between the North and the South were conspicuous by their absence.

Clothiers to Raise Prices

Clothing manufacturers who have seen the price of wool rise faster than the price of finished clothing are making another effort to reduce the discrepancy. Last year, clothing costs were the only major factor in the cost of living that fell below the preceding year. Coat manufacturers are contemplating the elimination of the \$16.75 price line and the substitution of a \$17.75 price. Men's clothing chains expect to have their new prices in effect by mid-February. Last year's sales of men's apparel ran about 17% ahead of 1935. Because the consumer is in better position to pay this year, the new prices are expected to be readily absorbed, and a 10% increase in business registered.

What Dividends Show

Dividend declarations last month set no record like those of December, when the full effect of the undistributed earnings tax moved corporations to unusual liberality. They were even a trifle smaller than last year, though substantial increases were apparent in such lines as department stores, food and packing, motor equipment, oils, public utilities, and steels. General Motors' cut in the quarterly dividend rate from 50¢ to 25¢ this week gives a clue to how it sizes up its first-quarter earnings prospects after having lost considerable business through its labor troubles.

Textiles Still Firm

Textile trades have finished a month of excellent business, with prices firm. While the prospects continue fair for the rest of the quarter, there is a note of doubt creeping into some quarters as to how long such a pace as the industry has been experiencing can possibly keep up.

NOW,
*a new trend
 in industry*

**THAT AUTOMATICALLY CONTROLS A WHOLE PROCESS,
 FACILITATES PRODUCTION, AND INSURES
 A UNIFORM PRODUCT**

WHEN one concern reports that Bristol's System of Coordinated Process Control is making it possible to shorten the time of an important process from 168 hours to a half hour, and in these 30 minutes is not only controlling pressure and vacuum but also operating 40 valves ranging in size from 2 to 24 inches

WHEN a second company says that this same system of self-coordinating control is securing an absolutely uniform product of 17%

greater tensile strength

WHEN still other concerns tell us that Bristol's System of Coordinated Process Control is stepping up production 100% without additional labor or overtime, paying for itself in less than a year, and so on

WHO CAN PREDICT the equally surprising economies this new development may now, for the first time, make possible in still other plants, including yours?



Bristol's System of Coordinated Process Control is extremely flexible. A new trend in industry, it can be *applied to any process*—including processes for which the exact schedule of operation for best results is known, processes that must rely upon close control in order to produce uniform quality, as well as processes that are likely to give trouble because of the

difficulty in following, manually, the schedule of operation.

What this may mean to you in connection with your own production can only be developed through further discussion. Our engineers will welcome such an opportunity. Send for the booklet 460K "Bristol's System of Coordinated Process Control".

THE BRISTOL COMPANY

22 Bridge St., Waterbury, Conn. Branch Offices: Akron, Birmingham, Boston, Chicago, Detroit, Los Angeles, New York, Philadelphia, Pittsburgh, St. Louis, Seattle, San Francisco. Canada: The Bristol Company of Canada, Ltd., Toronto, Ontario. England: Bristol's Instrument Co., Limited, London, E.W. 10

FEBRUARY 6, 1937

Big Distributors Arm for War

Declare they will use private brands to buck national advertisers if latter refuse to restore advantages cancelled under R-P and "fair trade" laws.

"The shoe pinches, sure, but we can take it awhile. One more pinch, though, and we'll kick the national advertiser and all his goods overboard."

"Mind you, we're not asking for that. We didn't pick this fight to begin with. Maybe the big manufacturer didn't see it, but he was plenty willing to take it when the time came, and maybe he took the wrong one. If he doesn't wake up to that soon, we'll try to prove it to him."

"Our private brands are just as good as his, and we can sell them at levels that will knock the props right out from under his artificial price structure. And we can rip the daylight out of his national advertising. Remember, we've got the last word with the buyer, right at the point of sale. We'll give her just what she wants, including quality grades right on the label."

Typical Attitude

That's the way the big distributor feels today. Take it from the president of one of the nation's big corporate food chains talking hard facts, as he sees them, about the past and potential effects of the Robinson-Patman and fair trade laws.

An isolated attitude? Not at all. One that checks right down the line with the temper and the tactics of other big distributors, as manifest in conversation and correspondence with the presidents of dozens of other food and drug chains, voluntary groups, and department stores.

What's the chance of sidetracking this long-predicted battle of the brands? Not much, and distributors feel that current developments in Washington with respect to the Tydings-Miller fair trade act reduce the prospect of a compromise still further.

Last week, a House Judiciary subcommittee held hearings on the bill and its early passage is indicated, despite the strong opposition led by department store and mail order interests, supported by consumer and farm organizations. This federal fair trade act would exempt all manufacturers in interstate commerce who conclude minimum resale price agreements with retailers and wholesalers in those states (16 of them now) where state fair trade laws are operative.

True, the big distributors are not as hostile to the fair trade acts as they are to the R-P law. They applaud the intent of the state acts to outlaw below-cost sales, for they themselves have been subjected to unwelcome price competition from cut-rate cosmetic shops and supermarkets. But they argue that the desirable prohibition of below-cost selling could be achieved in other ways much more effectively and with less

Number 1 Story

Last week, *Business Week* sent an editor to the food industry conventions in Chicago to uncover the last-minute details of a story as significant as labor troubles, more far-reaching than floods. This is his report, made from talks in hotel rooms and offices, completing information gained by interviews and correspondence with executives of chain stores, voluntaries, department stores, and mail order houses.

It is not a balanced argument of the differences between national advertisers and mass distributors, which is another story. It is frankly a presentation of the attitudes and opinions of the latter group—and this for the reason that it is they who are forcing the issue.

danger of freezing prices at significantly higher levels.

For example, Charles R. Walgreen, head of the big drug chain, argues in behalf of a law simply forbidding anyone to place a limit on the quantity of sale. Such a measure, he points out, would permit the trade to apply its own correctives and buy out the predatory price-cutter who now hides behind a "one to a customer" declaration, and it would not handicap the merchant who finds it necessary for a variety of reasons to liquidate merchandise.

What chiefly distresses the big fellows in distribution about the prospect of more fair trade laws and wider use of them is the certainty that it will cement even tighter the close alliance between national manufacturers and the independent wholesalers and retailers.

A bit ruefully now the big distributors contemplate their share of responsibility for the existence of that triple entente. As the head of one large chain put it: "Maybe we were pressing

the producer a little hard all through the depression, and he was ready to sell us out on the slightest provocation. He went into the little fellows' campaign for the Robinson-Patman law with his eyes wide open, for he saw in it a convenient pretext for the outright cancellation of all concessions to us."

"But he didn't look far enough ahead. He didn't see what we could do with our private brands and he overlooked the fact that we earned those discounts and allowances. He still refuses to consider those things, despite the fact that sales of our own house labels in stores all over the country have shot up 25% in the past six months and despite the fact that we're not playing ball with anyone except those who have made some move toward the legal restoration of some of our former concessions."

Under-Counter Reprisals

"What's happened? Well, take the case of X cigars. They're under the counter now, and sales have dropped 50%. That's a whale of a lot of lost volume, for sales through the little fellows don't begin to make up the difference. We used to render a real sales service on X cigars—a service you couldn't possibly measure in proportionately equal terms. That's all over now."

Chain men admit that since June 19, when the Robinson-Patman Act went into effect, and widespread cancellation of terms followed, considerable progress has been made toward the legal restoration of advertising allowances by keeping agreements purely on the basis of "services rendered"—so many newspaper ads or so much counter and window display space for so many days for so much money. And in the department store field where the allowance system was less fully developed, the new order of operations has in a few cases actually produced revenue in excess of anything previously realized from this source.

But even where the big distributors have won back fairly liberal allowances, they have not won back the same margin of advantage which they used to enjoy, for the little fellows have succeeded in getting some of those allowances too.

Department Stores Find an Out

When it comes to regaining the old buying advantages which their brokerage commissions and quantity discounts used to permit, chains feel they are even more hopelessly stalemated. Here department stores fare a bit better under R-P. Only a slight part of their busi-

ness is done on uniform, branded merchandise. A large bulk of their merchandise they can order on specification and, with a little cooperation from the producer, those specifications can be altered sufficiently to place their individual purchases in special classifications, thus circumventing the possibility of discrimination on goods of "like grade and quality."

But not so with the chains; the Pepsodent and Puffed Wheat they sell is just like the Pepsodent and Puffed Wheat the independent sells. They can't ask for special treatment, and the old special quantity discounts which they used to collect are out all along the line. As for the regular discounts, they have been scaled down to the point where chains say they are virtually negligible. The differentials are far less than those they think could be justified on the basis of the manufacturer's saving in the cost of selling, manufacturing, and delivering goods to them.

A.G.M.A.'s Veiled Threat

But manufacturers don't see eye to eye with them, and chain store operators' tempers are growing shorter every day. Last week they got near the boiling point when Paul Willis, president of the Associated Grocery Manufacturers of America, circulated a statement at the Chicago food conventions raising the question: "At what stage in private brand promotion does the dealer become a competitor of the manufacturer instead of a fully cooperating customer?" Mr. Willis implied that that stage might already have been attained, that manufacturers might be forced to adopt policies of customer-selection which would result in more stringent treatment of chains distributing private brands.

That caused an explosion. "Did it ever occur to A.G.M.A.," asked one irate president of a voluntary grocery chain, "that we might be forced to the policy of *manufacturer-selection*? It's about time we settled this question of who controls what. Perhaps they've forgotten the fact that chains—corporate and voluntary—account for 75% or more of the sales of some of their products; that the customer is our customer, not theirs. And it looks as though their memories were so short that they've even forgotten that abortive 'mistake' A. & P. made in New Orleans when it circulated handbills comparing the prices of its own brands and nationally advertised products, showing a differential of 29%.

Private Labels Bulk Large

"These manufacturers completely underestimate the power of private brand merchandising. Maybe they had better look again at that Federal Trade Commission report on our private brands. Half a dozen years ago, FTC found out

BUSINESS OPPORTUNITY

—Ready to cash in on the impending battle between private brands and nationally advertised products, pharmaceutical houses, which already do a thriving business supplying the big distributors with house labels, intensify their advertising efforts. Recent issues of *Drug Trade News* have featured many such insertions addressed to drug chains and department stores.

that we did a quarter of our business on our own brands, and that figure has grown by leaps and bounds since then. Since the Robinson-Patman law, we've jumped the sales of our own goods 30%."

In answer to a pertinent question, he added:

"Sure, I know that lots of private brand distributors work the racket of unloading low-grade, long-profit merchandise on a lot of little retailers. But no big distributor of private brands does that—not for long, anyway. We're just as jealous of the quality of our goods as big advertisers—maybe more so. Last summer when there weren't any good tomatoes available on account of the drought, I wouldn't sell any under our own label. I sold nationally advertised brands.

"In these days of rising costs, when you add a real price appeal to guaranteed quality you've got a combination that's hard to beat. And if manufacturers think they can beat it by adding a few more dollars to their advertising budgets or shaving a few pennies off their prices, well, they just don't know the consumer.

"Don't forget—in the last analysis we've got the outlets, and we can get the goods. They've got the goods, but they can't get the outlets. And under no circumstances can they come close to matching our straight-line costs of distribution—from producer direct to consumer."

In view of these confident convictions, observers wonder why the mass distributors don't make the big break. There are three good reasons:

(1) War costs money, even if you win. And distributors cling to a fast-fading hope that it can still be averted. They hope yet to persuade manufac-

turers that a restoration of the old balance of trade coupled with an upward of prices all along the line, if need be, is better for them than whacking them with a series of discounts and allowances to big buyers.

(2) They're waiting for publication of FTC's investigation of distributor costs—what happens to the spread between prices paid to farmers and to consumers. That report, they think, might put manufacturers on the spot, swinging public (and congressional) sympathy to the chains' cost-reduction drive. A comparison of costs on private label goods and nationally advertised products might prove particularly illuminating.

Future Plans Drafted

(3) Their policy of peaceful penetration for private brands is working well enough for the present. For the future, they have already drafted concrete plans that will cut costs and prices on private brands still more drastically, and in the development of those plans they are taking care not to run afoul of any present or proposed laws, such as Rep. Patman's new bill to prohibit manufacturers from retailing. It is confidentially reported that since June 19, when R-P became law, one chain has negotiated contracts to take the entire output of a score of different manufacturers for private brand distribution, thus sidestepping any possible charge of discrimination, cutting production costs to the bone, and eliminating all buying and selling overhead. Other combines of chains, voluntaries, and big independent wholesalers are reported at work on plans for cooperative private brand buying to match the low prices which they realize the first chain is prepared to quote.

PRIVATE BRANDS
Shaving Cream
Tooth Paste
PERFECTLY made
distinctively packaged
From designing the
right to the finished
work, every operation
formed in our own
This method saves
money.
Other products
Mouth Washes,
Products, Table
Compressed We are specialists
(rate), Mill of disc for -
Wholesale -
Retail -
We are specialists in
quality of goods
COSMETICS
MODERN
IN AMERICA

PRIVATE LABEL COSMETICS
BUY WITH CONFIDENCE!
FOR 27 years the name TETLOW has
meant the finest in cosmetics. You may
select your line from more than 100
TETLOW products in bulk or package.
Your confidence in us is rewarded by
quality of merchandise, and genuine
value combination!
We are specialists in
quality of goods
COSMETICS
MODERN
IN AMERICA

PRIVATE FORMULA WORK
FOOT POWDER
Shallows chamois and works
easy—softens, whitens, soothes

PRIVATE LABEL Cosmetics
Cream Nail Polish Remover
REMARKABLE, removes
any nail polish
—Fast Power
—Hand Usage

FEBRUARY 6, 1937



PARADES — Inside, the loyal workers of the Chevrolet Gear & Axle plant at Detroit marched by the time clock as General Motors reopened the plant; outside, striking workers and their allies marched on the union picket line; in Flint, National Guardsmen marched with fixed bayonets through the streets. Parades and clashes marked another eventful week in the motor strike.

International

Beyond the Automobile Strike

Issues brought into focus show need for national action. Sales of cars held at high point; 5,000,000 total still possible. Machine tooling marks time.

DETROIT (Business Week Bureau)—Out of the welter of court action, conferences, statements, strike threats and peace moves surrounding General Motors this week, the big issues arose and stood forth plainly for all business men, politico-economists, and ordinary citizens to see. Clarifying the fight for power in American automobile factories, and tying that struggle in with the plans of all industries, were the following evident developments:

Summing Up the Situation

1. The dispute between General Motors and the Committee for Industrial Organization has become one in which the company feels itself not only a representative of all automotive management, but of industrial management in all lines. Other companies, lending advice and support to G.M., feel the same.
2. The C.I.O., led by John L. Lewis, has gone far beyond the issues on which the strike started in this one industry. It looks upon itself as the spearhead of a great labor movement to seize a far larger share in management than labor ever had before, and is basing its dictatorial hopes partly on memories of the last Presidential election.
3. Understanding and agreement on the "rights" of both management and labor are imperative needs. The coun-

try at large thinks so, and is saying so. National legislative action must come soon. An arbitration-while-at-work plan is one goal; fixing of labor union responsibilities is another; enforcement of agreements is a third.

Those were the real issues as William S. Knudsen, Lewis, and Gov. Murphy finally got together around the conference table this week. Observers agree that they will continue to be the issues for some time to come.

Incidental moves in the fight for advantage have brought first one side, then the other, fleeting moments of happiness. Face-saving all 'round occurred this week when Gov. Murphy issued the Wednesday invitations to Mr. Knudsen and Mr. Lewis. It was the "wish of the President," said Gov. Murphy, and that let G.M. submit graciously to a breaking of its vow that it wouldn't talk while strikers were in the plants. It also saved some face for Mr. Lewis, who almost lost his countenance by the swift court action to move the strikers out.

Remedies Badly Needed

Judge Gadola, who dealt a sweeping legal blow to the much-debated sit-down strike on Tuesday, voiced the thoughts of many industrial leaders when he said it was "deplorable that it should become necessary to have

conditions exist as they are," and went on to suggest that adequate remedies might be found by studying the English and Danish systems of supervising labor disputes. Washington reports of recent weeks describe the President as studying these methods, but the Administration plan may await Supreme Court decision on the legality of the present Labor Relations Board (see "Roosevelt's Labor-and-Farm-Plan," page 19).

Keep on Buying

In the meantime, while the automobile industry was the battleground for one of the major labor-and-management showdowns of this generation, people continued to buy automobiles this week, and dealers were stocking up. Preliminary car registration figures for January heartened manufacturers, beset as they were with troubles.

Passenger car sales last month topped those in the same month a year ago. Even some General Motors divisions got away to a healthy gain over '36; both Buick and Pontiac sold more new cars in the first 20 days of January than in all of January last year. Ford's sales were up sharply. Chrysler's volume climbed about 50% above the same month in '36. Studebaker showed a nice increase. Only in Michigan and in cities where General Motors has plants have retail sales dropped. Detroit's total was about that of a year ago.

John L. Lewis stimulated automobile production when he hinted that Ford and Chrysler might be the next objectives in his unionization campaign. The pall of threatened labor trouble hangs over the entire industry, has caused dealers to order more cars than they need for current requirements. Hoping to avoid being caught short later on if further strikes should occur, dealers in the flooded areas of the Ohio and Mississippi Valleys are arranging to take deliveries from factories as originally scheduled. A New York dealer has requested an additional 100 cars in February over and above his first commitment; he intends to warehouse them. His is not an isolated case.

Export Orders Increase

This move of dealers to get under cover has spread into the export trade. One independent car-maker says foreign distributors and dealers are placing heavy orders. When the cars are delivered to New York, they are stored for later shipment abroad. This rush by dealers boosted the company's January production by a considerable amount.

On Feb. 1 General Motors was 150,000 cars behind its '36 manufacturing schedule because of the strike. Every day that the strike lasted it was getting about 10,000 cars farther behind. Yet

neither Ford nor Chrysler (nor independent companies) have been able to run up their weekly production much. The reason is that all companies had huge backlogs of orders, already were operating close to full capacity. Chrysler suffered a little from a glass shortage, but shut down only one day because of the Pittsburgh Plate Glass strike.

Most Dealers Will Stick

General Motors isn't bothered too much about the effect of the strike on its dealers. Relatively few will slip away to competitive manufacturers. In the first place, the corporation offers one of the best dealer franchises in the industry (N.A.D.A. rates it the highest). Furthermore, C.I.O. strategy may call for a G.M. strike today and a Chrysler tomorrow; thus the dealer may extricate himself from one bad situation to find himself plopped into another equally bad. Anyway there is always a considerable percentage of buyers who are on the borderline between the new-car and used-car markets. By pushing used-car sales aggressively, G.M. dealers are getting a comfortable share of business from that group. At the same time they are putting their house in order to handle a tremendous volume of new-car sales in the spring.

The G.M. strike has put a wet blanket over '38 tooling programs by all car makers. Everybody is holding off to see what may happen. Meanwhile, machine tool deliveries are becoming more deferred than ever. If orders aren't placed very soon, equipment can't be installed in time for the start of next year's production. All of which leads to the conclusion that unless the

trouble is definitely settled without much further delay, it is likely that any elaborate tooling plans for next year will be shelved. The public, of course, will be offered a new automotive package as usual, but it will be new only in minor alterations of the wrapper design. Mechanical and body changes will be few. Such a program would cause a minimum halt in production during the summer changeover period.

Labor troubles and the trend toward shorter hours and higher pay (some car makers visualize the worker getting as much pay a few years hence for 30 hours as he got at one time for 48) have convinced the motor industry of one thing—it must mechanize as rapidly as possible. Open talk about displacement of human labor is shushed these days in automotive circles, but the truth is that the leading companies are preparing to launch shortly huge plant-modernization programs calling for capital outlays of millions of dollars.

They aim to cut labor costs by expanding the use of multiple-operation machines with high productive capacity. Only so can they hope to keep retail car prices down and widen their markets. This indicates that equipment builders will get some lush business out of Detroit in the months ahead.

Taxing Salesmen

Even those on commission basis may be considered subject to Social Security Act.

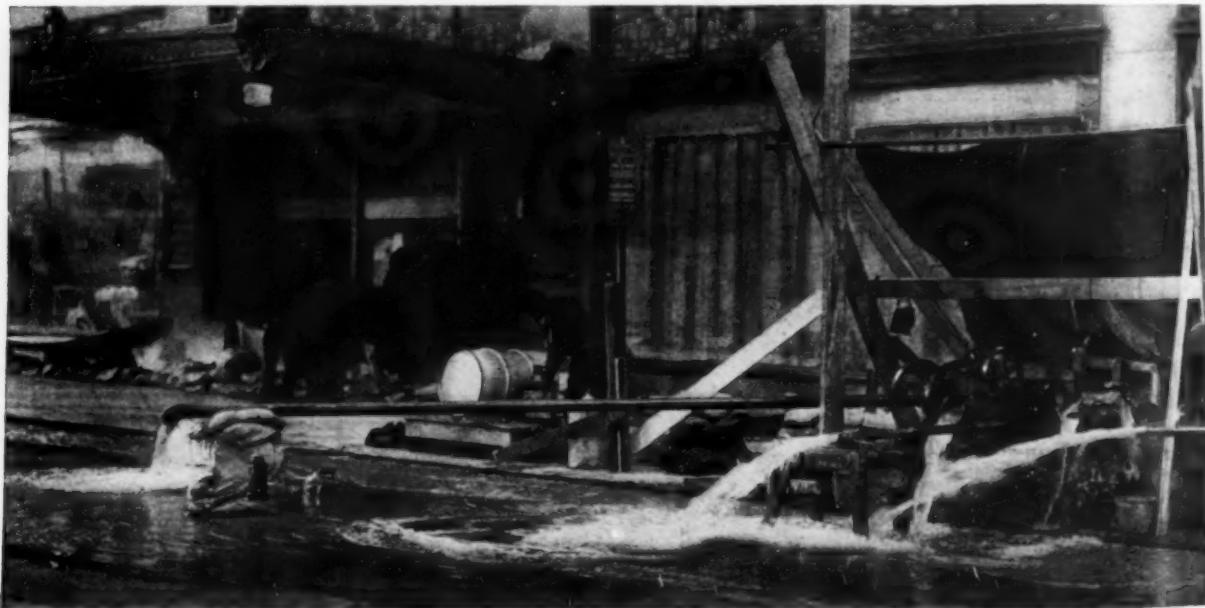
WASHINGTON (Business Week Bureau)—Second thought by the Bureau of Internal Revenue regarding Social Security

taxes has business on the agenda. It is especially important concerning the status of salesmen. The bureau was disposed some time back to regard them as independent contractors. Now the "tendency," as it is described by a bureau official, is to include them under the law.

In the case of Massachusetts Mutual, the bureau has held that its agents and solicitors are employees and that the commission is taxable as wages. This stems from the character of their contract with the company. This ruling implies, however, that the bureau will so regard other salesmen working on commission basis but serving one firm exclusively. The unofficial answer of one official to this question was "Generally speaking, yes." Unless contracts are drawn to set salesmen outside the law, and so construed in the courts, the bureau's budding policy will add considerably to the cost to business of the Social Security Act.

Contrary to previous opinion in another respect, the bureau has unanimously ruled that when an employer pays out of his own pocket his employee's share of the old-age annuity tax, it does not constitute an additional wage subject to tax.

Life insurance companies may alter agents' contracts in view of the ruling on Massachusetts Mutual, or they may take it to the courts. Meanwhile, it has been held in a number of cases that fire, casualty, and surety agents are independent contractors. Often they don't have contracts and, even when they do, may represent several companies. Life insurance agents generally are limited to one company and are subject to close supervision under their contracts.



BAILING OUT—Every available pump in the flood area was pressed into action as soon as the high water began to recede.

Stewart's department store, one of the largest in Louisville, Kentucky, lost no time getting ready again for customers.

Mopping Up After the Flood

Long-time job of restoration begins in Ohio Valley. Cincinnati, first to dry out, offers a case study in damage done and goods needed.

CINCINNATI (Business Week Staff Correspondence)—As the swollen, rushing Ohio turned the corner at Cairo this week and rolled down the home stretch to the Gulf, testing the lower Mississippi dike system almost to the breaking point, business in the Ohio Valley climbed slowly out of the water and got ready to go back to work. Cincinnati was first to reach the "mopping up" stage, while Louisville, Portsmouth, Paducah, and dozens of smaller cities still were under slowly-receding waters.

What the First Needs Are

The cities want creosote and chlorinated lime first, and brooms and mops. Next they want all manner of manufactured goods, from paper bags to machinery. They will need the products of all basic industries—lumber, steel, leather, rubber—and thousands of feet of glass to replace the thousands of broken windows.

Cincinnati's experience this week offers a case study for the other cities in the flood area, and for manufacturers in other sections who will meet the call for supplies. Adequate means of distributing the goods must be perfected as soon as possible; in Cincinnati's case the Chamber of Commerce staff under direction of Morris Edwards is working day and night to help industries handle the flood of consignments. Emergency supplies in carload lots poured into the city prematurely in many cases, swamping retailers and wholesalers who still had to clear out a lot of standing water and debris.

A quick survey of the valley this week showed Louisville the worst sufferer of all, and still under water; the business district of Portsmouth submerged; Paducah evacuated; Shawneetown, Mound City, and numerous other towns flooded and forlorn.

Will Take Months—and Millions

Rehabilitation of the Ohio Valley will take months. Total damage is in the hundreds of millions, but cannot be estimated with any degree of accuracy yet. Evacuation, relief, cleaning up, restoration, and rebuilding, in that order, will be costly and will last a long time. Many smaller communities cannot be reoccupied and put on a going basis before May or June; sanitation and health are a great problem. Municipal utilities are well-nigh wrecked in many spots; waterworks, plants, and sewers are clogged and collapsed, streets have soaked for weeks and need extensive repairs.

All this is in the Ohio Valley, while the lower Mississippi Valley still faces the highest water on record.

And not only is the flood area having difficulty in getting transportation and distribution lines restored, to take supplies from other sections—the flood area itself is supplier of coal, shoes, tobacco, and a host of other things which



outside cities are calling for. There is plenty of coal, and plenty of mines are still in operation, but transportation lines are clogged and the problem of getting heavy shipments across miles of water and weakened bridges is a tough one.

For Cincinnati itself, no estimate of damage to real property or to machinery, equipment, and inventories was forthcoming this week. Business men found some hope in the fact that the flood waters had not covered the central business district, and that stores, excepting drug stores and restaurants, were closed only because the power plant of the Cincinnati Gas & Electric Co., subsidiary of Columbia Gas & Electric Co., had been flooded, creating an electric power shortage. Only two of four industrial districts—the Basin and Mill Creek districts—felt the ravages of the flood; Oakley, an industrial suburb on high ground, and Norwood, an independent municipality, escaped.

The business men agreed that the damage was far greater than it need have been, if manufacturers and whole-

salers had not been lulled into a sense of false security early in the flood by Weather Bureau bulletins saying that the river would reach its crest in the sixties. (The flood finally reached its crest at 79.99 ft., exceeding the previous high mark of 1884 by 9.39 ft.)

Cincinnati also was incensed by what it termed "lurid" broadcasts and newspaper stories put out by some of the reporters sent into the area.

The fact remains that the worst flood in Cincinnati's history has destroyed property, equipment, and inventories worth many millions of dollars. How many millions no radio broadcaster or magazine writer making a hurried survey of the situation can say.

Big Companies Hard Hit

Among the big companies hardest hit is Crosley Radio Corp., whose millworking factory, assembly plant, and warehouse were gutted by the \$2,000,000 fire that swept parts of the Mill Creek district early last week. Flames gutted the Standard Oil Co. of Ohio warehouse, curled around numerous other industrial plants, including the factory of the Cincinnati Iron Fence Co., the Oberhelman-Ritter Foundry Co., and the factory of Fashion Frocks, Inc., biting out what they wanted, before firemen brought them under control.

The failure of the flooded power plant of Cincinnati Gas & Electric Co. brought Cincinnati business almost to a standstill. Officials of the company, wrestling with their troubles, this week declined to make an estimate of C.G.&E.'s damage or to say how much equipment must be replaced. Two plants, Columbia Park and West End, were out of service until late this week.

The railroads, since Cincinnati is one of the three largest freight transfer points in the country, were among the chief sufferers. Apparently the worst-hit was the New York Central system, which had 33 locomotives and 175 freight cars marooned in the Riverside yards, west of the city. Many of the freight cars were loaded. As the flood waters began to subside, New York Central employees and Red Cross workers went into the yards to take out the perishables and distribute them to flood refugees.

Freight Warehouses Cleared

In other respects the New York Central system was fortunate. It cleared its freight warehouse of merchandise, as did the Pennsylvania. The Pennsylvania had 150 freight cars under water, mostly loaded with coal and stone. Local Pennsylvania officials said no more than 5 or 6 cars of merchandise were caught in the flood.

The Baltimore & Ohio cleared its Marshall Avenue freight house, but water poured into the second floor of its big Smith St. freight house, in the

EMPLOYERS OFFER EMERGENCY RELIEF—In flooded Cincinnati and other cities and towns along the Ohio and Mississippi Rivers large advertisements in local newspapers urged employees to call on their employers for assistance. Five weeks' grace was extended to insurance policyholders and special services were offered by other businesses to sufferers from the flood.

Business Week

**OWNERS OF
AUTOMATIC
HEATING SYSTEMS**
Increased electric service offers all heating systems dependent upon automatic controls and valves. For winter safety we recommend that the use of such systems be discontinued until further notice for heat operators are alerted from complete heating equipment.
Such information may be had without obligation by phoning
CHERRY 7200
24-Hour Telephone Advisory Service
The Williamson Heater Co.

**★ NOTICE ★
ALL RETAIL
FOOD STORES**
International Food Storemen's Council
Notice to Customers from the Cincinnati Flood Zone. The Flood Food Storemen's Council has been organized to coordinate the efforts of all food stores in the Cincinnati Flood Zone. We will be in contact with you by mail, radio, and other means. We will be in contact with you by mail, radio, and other means. We will be in contact with you by mail, radio, and other means.
ALBERT H. MORRILL, Chairman
FLOOD FOOD STOREMEN'S COUNCIL
P. O. Box 1, Cincinnati, Ohio
1. A. H. MORRILL, Chairman, Flood Food Storemen's Council
2. A. H. MORRILL, Chairman, Flood Food Storemen's Council
3. A. H. MORRILL, Chairman, Flood Food Storemen's Council

**NOTICE
of Special Accommodation
To Union Central Life
Policyholders**
As an accommodation to Union Central Life policyholders during the flood emergency, the following rule is effective:
On all policies, held by persons living in the flood area, on which the grace period for paying premiums expires on or after January 31, 1937, the grace period is extended to March 1, 1937.
—W. Howard Cox, Pres.

**THE UNION CENTRAL LIFE
INSURANCE COMPANY
CINCINNATI**

Due to the Flood Emergency

**All Laundry
Collection and Delivery
Will Be Suspended
Until Further Notice**

Work accepted before
Wednesday, January 28th,
and now finished, may be
secured by calling in per-
son at your laundry plant.

**Laundry Owners' Assoc.
of Greater Cincinnati**

IMPERIAL LAUNDRY SERVICE
MODEL LAUNDRY
PROGRESS LAUNDRY & CLEANERS
QUEEN CITY LAUNDRY
NEW STANDARD LAUNDRY
ALPHA LAUNDRY

CRYSTAL LAUNDRY
BOYD LAUNDRY
KENDALL LAUNDRY
STEADFAST LAUNDRY SERVICE
QUALITY SERVICE CO.
NEW YORK LAUNDRY

TO THE
EMPLOYEES OF
Mabley & Carew
★
MABLEY'S WILL REMAIN CLOSED
UNTIL FURTHER NOTICE—WATCH
THIS NEWSPAPER FOR NOTICE
OF OUR REOPENING...
IMPORTANT
IF ANY OF OUR EMPLOYEES ARE
IN NEED OF ASSISTANCE OF ANY
KIND—FOOD, CLOTHING, OR FOR
MONEY—PHONE CHERRY 7400...
★
Mabley & Carew

Basin, which still contained merchandise. Company officials declined to estimate the damage there or the number of cars under water. Three locomotives were caught in the B.&O.'s flooded roundhouse.

One Bridge to Kentucky

The Chesapeake & Ohio pointed with pride to the fact that the C.&O. bridge was the only bridge open between Cincinnati and Kentucky, said the road was handling 24,000 passengers daily between Cincinnati and Covington, Newport, Ft. Thomas, and other towns on the Kentucky side. Disruption of traffic over other bridges was principally due to the fact that their approaches are low.

The C.&O. had 500 cars of coal under water on the Kentucky side of the river, but had gotten to higher ground all cars containing merchandise that might be damaged. The Louisville & Nashville had 8 locomotives and 200 freight cars, mostly loaded with coal or empties, under water in the DeCoursey yards on the Kentucky side. The road's two freight stations in Cincinnati were flooded, but most merchandise had been moved before the waters struck. The Southern had an undetermined number of freight cars wholly or partly submerged.

Mill Creek Plants Flooded

Great as the damage to the railroads may be, damage to industry in the aggregate probably will be far greater. In the Mill Creek district, plants flooded

include those of the American Can Co., which makes its machinery here; the American Oak Leather Co.; the Corcoran Brown Lamp Co., makers of automobile headlights, taillights, etc.; the Clopay Corp., manufacturers of paper window shades; the Crown Overall Manufacturing Co.; Formica Insulation Co., whose product is used in the manufacture of gears, panelling, table topping, tubing; the Andrew Jergens Co., makers of toilet soaps and perfumes; E. Kahn's Sons, meat packers; the meat packing plant of the Kroger Grocery & Baking Co.; Lunkenheimer Corp., and the William Powell Co., both manufacturers of valves; and the Procter & Gamble Co., makers of Ivory soap. Least sufferer along the creek that became a lake, as the flood waters of the Ohio backed up, is Procter & Gamble, which has little water and would be glad to have less. Its nine other plants took up the slack in production.

In the Basin District

Damage in the Mill Creek district probably is greater than in the Basin, for the reason that companies there are generally bigger and there was less reason to expect a flood. But this is guesswork as matters stand. The wholesale grocers, produce dealers, and manufacturers of the Basin are old hands at the business of moving merchandise up a few stories as the Ohio spreads out. To what extent they got it moved high enough, or had time to move it back downstairs and out, no one really knows.

In the Basin district (in any other city, the district would be called the river bottoms), flood waters poured into the plants of the American Tool Works Co.; the American Book Co., which prints here; the Vulcan Supply Co.; the Mechanical Supply Co.; the Queen City Supply Co.; the Champion Bag & Suit Case Co.; the W. F. Robertson Steel & Iron Co., makers of steel wire and nails; the warehouse of E. K. Morris & Co., dealers in steel tubing and shaftings; the Cincinnati Terminal Warehouse (it's full of whisky); the Chatfield Paper Corp.; the warehouse of the Marietta Chair Co.; the Koenig Printing Co., and numerous wholesale grocery and commission houses—some of them large.

Beyond Flood Limits

Out of the flood areas (this is as important as who is in it) are the Ford assembly plant, the Chevrolet and Fisher Body plants, and the plants of the Baldwin Piano Co., the Philip Carey Co., makers of roofing and building materials; the Cincinnati Chemical Works (two plants), the H. L. Davis Tailoring Co., makers of men's clothes; the Globe-Wernicke Co., makers of office furniture; the Gibson Art Co., printers of greeting cards; National Distillers' Products Corp.; A. Nash & Co., and Hyde Park Clothes, Inc., manufacturers of men's clothing; the Mack Shirt Co., the U. S. Playing Card Co.; the U. S. Shoe Corp., and the Williamson Heater Co., makers of furnaces and heating equipment.

Roosevelt's Labor-and-Farm Plan

He wants two bills, broadly regulating wages and hours, providing crop control, and defining interstate commerce as including major industries.

WASHINGTON (Business Week Bureau) —President Roosevelt has cut out the pattern of a legislative program designed to achieve New Deal objectives for both labor and agriculture. His present intention is to present it to Congress in two bills:

One, on labor, establishing 40 hours as the maximum work week, fixing minimum wages, and eliminating child labor.

The other, on agriculture, to provide for voluntary crop control that becomes compulsory in years of unwieldy surpluses.

The bills will assert complete control by Congress over interstate commerce, so defined as to embrace agriculture and the major industries and trades, but not strained as the National Industrial Recovery Act was, to include pants pressers, fruit venders, and the like. Neither bill will go as far as the President would like, but he's shooting a little short of his goal in the hope of getting the bills by the Supreme Court.

In so far as statement of economic policy and the jurisdiction of Congress are concerned, the bills will be written in identical terms. Back of this is Roosevelt's purpose to unite agriculture and labor in common interest and bring these two very large selfish groups to the support of a Constitutional amendment if the Supreme Court refuses to uphold the attempt to bring its legalistic concept of interstate commerce into harmony with the present economics of production and distribution.

The present plan is to include in both bills a provision for speeding them to a Constitutional test by requiring that in the event of attack, by injunction or otherwise, the lower courts will hear the case within 10 days of filing, with an immediate and direct appeal to the Supreme Court which also would be instructed by the law to bring it to a hearing within 10 days.

Wage Problem Toughest

The President's approach is charted pretty definitely, but many stubborn problems remain to be worked out. One that so far defies solution is the method of establishing minimum wages. Roosevelt is determined to get away from placing this power in the hands of any administrative agency, new or old; but the alternative—to write minimum wages directly into the statute—has distinct drawbacks. His present disposition is to use, for lack of something better, the minima established in old NRA codes, but this is asking for

the same trouble over regional differentials that was the undoing of NRA and now is one of the big knots that Sec. Perkins has yet to unravel in the administration of the Walsh-Healey wage-and-hour law on government contracts.

No administrative agency would have any more to do with enforcement of wage and hour standards than with their establishment, but in this respect the alternative course is more clear. Violation would be punishable by criminal penalties following conviction on complaints lodged with United States district attorneys. The idea here is that the chiseler would be exposed by his competitors.

Side-Issue Bills

Although both the labor and agriculture bills can be called omnibus bills, in that they will include the fundamentals of the New Deal program, neither will be all-inclusive. Crop insurance, for example, will be allowed to ride in a separate bill for the simple reason that the Administration is afraid of it.

Entirely independent of the labor bill, another is proposed to cover elimination of unfair trade practices by voluntary agreement, legalized by amendment of the Federal Trade Commission Act and possibly the Sherman Act. Such a law would not carry immunity from prosecution but, by more

clearly defining monopolistic and unfair competitive practices, give industry sufficient freedom of action to operate efficiently and cooperate effectively.

Offered as complementary to or as a substitute for the White House plan to raise labor standards is a scheme to levy excise taxes on the basis of sub-standard wages and excess hours to produce revenue for relief and public employment. The "speedup" and displacement of men by machinery would be reached by levying a tax based on man-hour production. The taxes could be so juggled that, according to advocates of the scheme, they would have the effect either of forcing greater re-employment of idle labor by industry, or of financing the government's relief budget.

Based on the taxing power of Congress, instead of the commerce clause of the Constitution on which the President is building his hopes of courtproof legislation, the sponsors of the "re-employment tax" plan hope nevertheless that Roosevelt will give it consideration, and are greatly encouraged by his statement that his program is still in the study stage, that he is considering its various aspects from the standpoint of what the other fellow thinks, and that no conclusions have been reached.

May Wait for Court

The President's program is blank in many of its details, but these are gradually being filled out as the plan matures in his own mind as a result of almost daily contact with industrial and labor executives and legal advisers. The timing of his program is not in the forefront of the President's mind and is



BIG THREE—Sam Rayburn, majority leader of the House of Representatives (left); Speaker William B. Bankhead, and Bertrand Snell, minority leader, who will steer party machines in the fight over the Administration's labor and farm legislative programs.



GETTING THE LOW-DOWN — Business leaders, members of the Business Advisory Council working with Sec. Roper of the Commerce Department, leave the White House, after advising with the Chief Executive on legislation, pending and proposed, which will vitally affect business. Left to right: W. Averell Harriman; S. Clay Williams; Gen. R. E. Wood; George Mead, chairman of the council, and deLancey Kountze.

being considered independently of the present labor situation. He is permitting nothing to hasten its careful preparation. It is possible, even probable, that he will not submit it to Congress prior to the Supreme Court's decision on the National Labor Relations act, as the labor bill establishing minimum wages and maximum hours is intended to put a foundation under the actual measure of wages and hours arrived at by collective bargaining. The only indication as to timing is assurance given to Congressional leaders that they will have plenty of time to handle the legislation.

Avoiding "Delegation"

One of the compelling reasons why the President is seeking to write his program into what might be called a "self-enforcing" statute is to avoid delegation of legislative powers by Congress to the executive, which was one of the horns upon which the Supreme Court impaled the Blue Eagle. Another object in writing the legislation in definite terms is to leave as little as possible of its content to judicial interpretation.

In his conferences the President has done much thinking out loud. This explains to a considerable degree the impression that many have carried away from the White House that he has definitely committed to himself to this or that proposition. Some confusion of ideas has resulted, as few have a complete picture of the whole program as outlined here.

Clearly seen in the shaping up of the legislation is the hand of Donald Richberg, now regarded in quarters close to the White House as standing higher in the President's estimation today than ever before. The President is leaning on him to suggest means of avoiding mistakes made by NRA in seeking to reestablish the principles striven for by NRA. In the meantime, Sec. Perkins

has been staging a little show of her own. In the very nature of things it was first assumed that her proposals for labor legislation had the President's support, but it appears that he has simply given her permission to go her own way until such time as he is ready to submit his program to Congress.

Her proposal that the Department of Labor be given the power of subpoena in order to facilitate fact finding to get at the underlying causes of labor disputes is supported by the President, though he says it requires study—in other words, he can back out if advisable. But it is not an integral part of the President's agenda and its fate is indicated by A.F.L. opposition to it as a step toward compulsory arbitration.

Neither does the President back up Miss Perkins' theories on legislation for establishment of maximum hours and minimum wages, and for the "promotion of effective and honorable collective bargaining" by a law that is broader in scope than the Wagner act. Congressional leaders are not disposed to take the lady Secretary of Labor seriously, although they are very polite.

Utility Case Appeal

Judge rules holding concerns must register. High court may not decide till '38.

THE Securities and Exchange Commission's hand-picked test case under the holding company law is fairly on its way to the Supreme Court with the government complete victor in the first round. Judge Julian W. Mack, in United States District Court in New York, last week held valid, in the suit brought against Electric Bond & Share, the two clauses of the Public Utility Act which prescribe that holding companies must register.

That decision declared the various sections of the law to be separable as contended by SEC's lawyers. The latter argued that Bond & Share had not registered and that, until it registered, it couldn't be hurt by any of the clauses of the law to which the company and affiliates objected. Bond & Share counsel, on the other hand, asserted that to register would render the company subject to Section 11—the "death sentence"—to no end of governmental interference in management functions, to irreparable damage.

Could Use By-Pass

If the government and Bond & Share both agree to it, the Circuit Court of Appeals can be by-passed. This involves getting from the Supreme Court a writ of certiorari, ordering the Circuit Court to certify the trial records and send them up. This process is granted by the high court only in rare cases, but the parties to this suit have cooperated for speed to such an extent that it is not unlikely that they will seek further to expedite matters.

What the Supreme Court will do, if the Circuit Court is jumped, is a matter of conjecture. It could remand the litigation to Judge Mack's court with instructions to consider all the sections of the law, or it might uphold the District Court.

If the high court takes the first course, it would mean that it will rule on Constitutionality of the act after Judge Mack hands down a decision and an appeal is brought up. If it leans to the second, Bond & Share will have to register itself and affiliates. Then, when the companies feel that they have been damaged by other sections than those which simply require registration, it can sue to throw the law out on the basis of its penalties and restrictions.

Other Companies Affected

This second alternative, too, has interesting implications for other companies seeking to test the law. They were blocked by court orders from advancing their cases while the Bond & Share test was in Judge Mack's hands, but now can proceed. But if the Supreme Court upholds Judge Mack, it would appear that they too are required to register and can fight the law only at such time as they can show actual damage.

No matter what decision the Supreme Court hands down, it can't be expected to act for many weeks. The litigation started in December, 1935, and is now barely through the first round. It may be remanded to the District Court and, if it is, there is little prospect of a final decision before the middle of 1938. If the utilities now resisting registration are forced to conform before bringing new test cases, it will take even longer before final decision is reached.

2³/₄ MILLION ITEMS CHECKED EACH MONTH



*"quickly, accurately,
and without confusion"*

THE S. S. Kresge Company, with general offices at Detroit, Michigan, handles one of industry's most voluminous accounting jobs — and provides another tribute to "Comptometer" methods:

"In our centralized 'Comptometer' Department," states Kresge's Office Manager, "we check the invoices for our entire organization, which operates a chain of approximately 700 retail stores. Every month we check approximately 500,000 invoices, each averaging 5½ items. Truly, a tremendous undertaking.

"Yet this entire job is handled on 18 Model K Electric 'Comptometers' with trained operators. It is done quickly, accurately, and without confusion — thanks to the modern high-speed 'Comptometer.'



Model K
Electric

"'Comptometers' are also used effectively in other divisions of our accounting, on such work as billing, purchasing, statistical and general accounting."

That's convincing testimony. Yet the "Comptometer" handles less imposing figure-work jobs just as efficiently — solves the largest or the smallest accounting problem "quickly, accurately, and without confusion."

If you recognize the need for more rapid, accurate and economical accounting methods in your own business — especially in view of recent Social Security legislation — telephone the "Comptometer" representative in your district, or write direct to Felt & Tarrant Mfg. Co., 1733 N. Paulina St., Chicago, Ill.

COMPTOMETER

Reg. U. S. Pat. Off.

Now Reserve Board Has Whip Hand

By final raise in reserve requirements, it may force member banks to borrow from Reserve System—and to take orders from it.

\$2,430,000,000 in government securities are all that's left to "control" the much-bruited boom. That was the state of credit this week (it was a nervous state) after the Board of Governors of the Federal Reserve System jacked up member bank reserve requirements to the limit allowed by law.

Those \$2,430,000,000 in governments constitute a weapon. They are held by the 12 Federal Reserve Banks. If the Reserve Banks sell them, banks or depositors in banks will buy them. Which will deflate bank reserves. Then, member banks may have to go, hat in hand, to the Reserve Banks (BW—Jan 27, p15).

Making Them Listen

It's been a deuced long time since banks have borrowed from the Reserve System. It's been a long time since the Reserve officers could tell a commercial bank president that he was lending too much money to stock brokers, or to a certain class of merchants, or to a particular branch of industry. In short, it's been a long time since the Reserve

has been able—in any tangible way—to tell commercial bankers where they get off.

But when a man (or a bank) owes money, he listens when the creditor has something to say. And that is the ulterior motive behind the boost in reserve requirements. The Reserve Board, by deflating excess reserves, has pushed the banks in a position where they will have to listen.

The money market acted like an eight-year-old rich boy who received five bicycles for Christmas and got sick and tired of the repetitiousness. But when the boy's mother wanted to give one of those bicycles away, the boy wanted every single one. So it was with the \$1,500,000,000 or so of surplus reserves that the Reserve now oozes out of the system (see chart, page 57). Even after those reserves vanish, banks will have a \$500,000,000 excess.

Little did it matter to the market that seldom in the history of the Reserve System have the nation's commercial banks had as much as a half billion in surplus funds. Short-term

money rates immediately hardened. Acceptances moved higher—just as they did several weeks ago when the Reserve Board first indicated what was about to happen. The increase, 1/16 of 1%, was only nominal, but it was sure-fire evidence of jitters. Lenders still had plenty of funds, but they did not want to get tied up with low interest paper. They feared that interest rates might rise and they'd be stuck.

Long-term bonds also wobbled. Governments went both up and down—indicating directional indecision. It was a clear case of the market not knowing just where to go. In the first place, the boost in reserves does not come immediately. On Mar. 1, requirements go up 16 2/3%; on May 1, up again 14.5%. After that, required reserves will be 100% above what they were on Aug. 14.

\$3,000,000,000 Squeezed Out

In its entire program, the Reserve Board squeezed about \$3,000,000,000 excess reserves out of the banking system, as easily as one of these new-fangled electrical devices ushers juice out of a lime. Those sterilized reserves would have formed the base for a credit expansion of \$36,000,000,000 or so. Banks could have extended that amount of accommodation without so much as a by-your-leave from the Reserve System—they had the funds, and their huge store of reserves made them independent of federal governance.

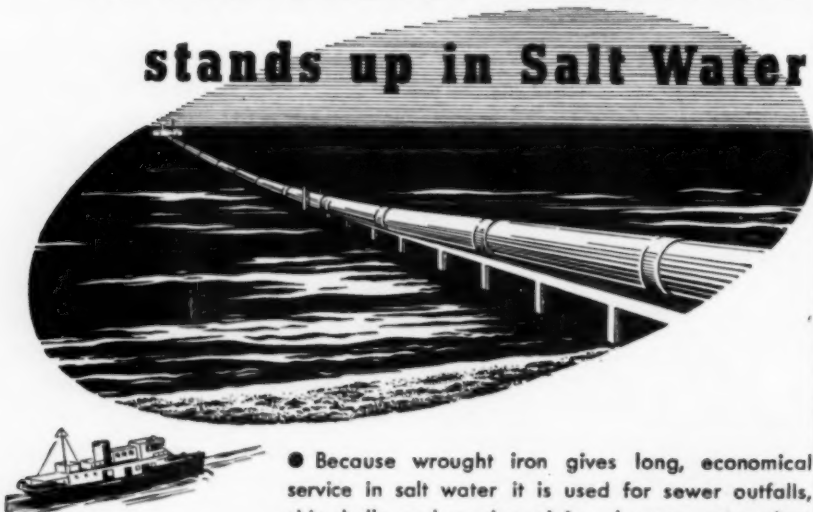
But now the banks will not have immense idle reserves. They may sell securities, or call some stock exchange loans, or permit government obligations to mature. To this practical possibility, investment bankers, bond traders, and investors looked ahead with mixed emotions.

Those long of bonds would take a licking if interest rates strengthened; those holding funds to buy waited patiently, hopefully. And commercial institutions, which deal in short-term money, assumed confidently that sooner or later (but the sooner the better), the demand for money would push up interest and discount rates on their loans. Which would fatten their annual earnings statements. But banks will still have excess reserves; business men are still not jumping over one another trying to borrow from them.

In the meantime, the Reserve Board seems to have what it wants—control. By getting rid of government obligations it can further deflate credit. But suppose it wants to inflate credit? Then what? It would be an awful piece of back-tracking to reduce reserve requirements. That leaves buying government bonds. But the Reserve Banks are already overloaded with them. That's the pickle. Fortunately, there's enough money around for all demands likely for some time. So the credit inflation needle is not likely to be needed.

WROUGHT IRON..

stands up in Salt Water



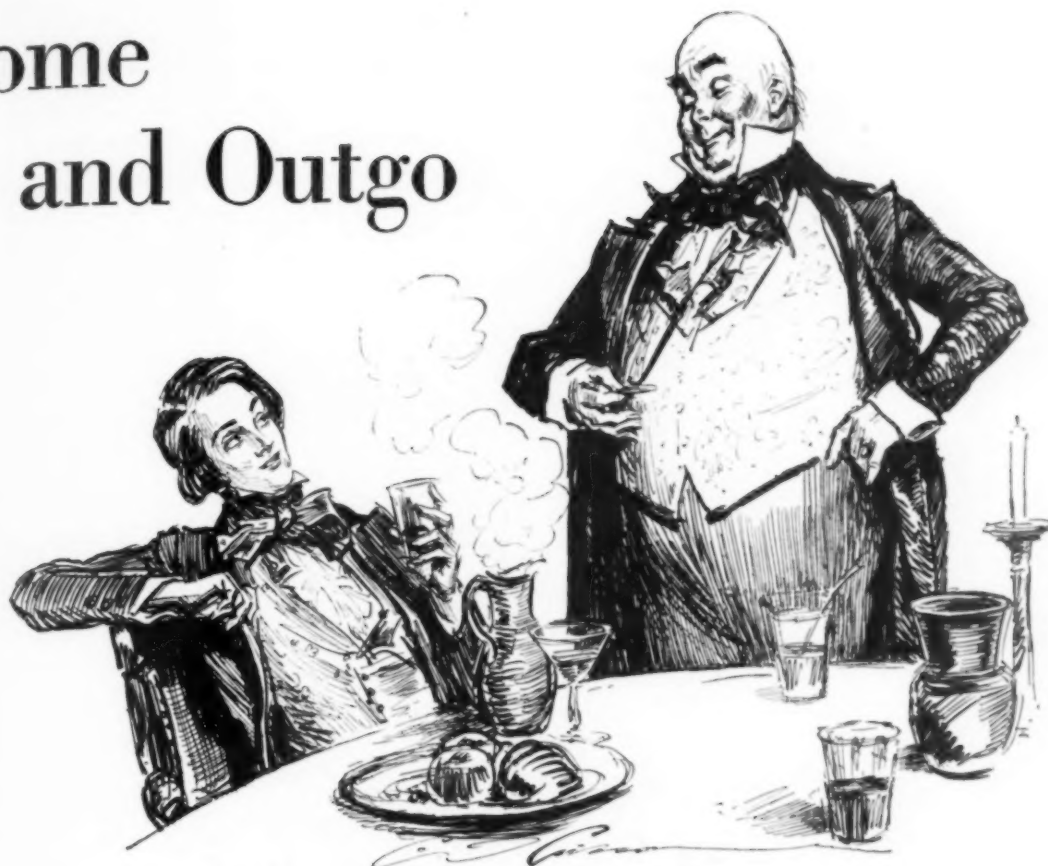
● Because wrought iron gives long, economical service in salt water it is used for sewer outfalls, ship hulls and marine piping. In your own plant

certainly few services are more corrosive—so, where salt or brackish water is used for cooling, flushing or condensers, avoid premature failure—use Byers Wrought Iron. Ask your engineers to write for "The Use of Wrought Iron in Salt Water Services"—also help in analyzing corrosive conditions. A. M. Byers Company. Established 1864. Pittsburgh, Boston, New York, Philadelphia, Washington, Chicago, St. Louis, Houston, Seattle, San Francisco.

BYERS

GENUINE WROUGHT IRON TUBULAR AND FLAT ROLLED PRODUCTS
Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements

Income and Outgo



"My other piece of advice, Copperfield, you know. Annual income twenty pounds, annual expenditure, nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."

—Dickens' Micawber advising his young friend, David Copperfield.

WHAT happened to last month's salary? It went—but where did it go? If you want to keep a check on your expenditures, put next month's salary on a budget basis. A budget will tell you just where your money is going, *before it goes instead of afterwards.*

Planning ahead is the surest way of getting ahead—and getting the most out of your income should be an important part of your budget plans. You may find that by budgeting you can do things you never dreamed possible with your income.

Every budget should include life insurance. You can get the most out of this item in your budget through a carefully planned program that will protect your family and safeguard your old age. Then if anything happens to you, your life insurance will provide the backbone of your family's budget and take care of necessary items such as food, clothing, shelter and education.

A Metropolitan Field-Man is trained to help you plan your

Life Insurance Program. Telephone to him or mail the coupon.

The Metropolitan issues life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

Metropolitan Life Insurance Company
1 Madison Ave., New York, N. Y.

Without obligation on my part, I would like to have information regarding a Life Insurance Program to meet my needs.

NAME _____
ADDRESS _____
CITY _____ STATE _____

27-W



METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER
Chairman of the Board

ONE MADISON AVENUE, NEW YORK, N. Y.

Copyright, 1937, by Metropolitan Life Insurance Company

LEROY A. LINCOLN
President

West Coast Anchors Lifted

But shipping strike settlement leaves some of the problems unsolved; uneasy business hopes for better rules of arbitration and enforcement of contracts.

SAN FRANCISCO (*Business Week Bureau*)—Pacific Coast business is busy rehabilitating itself after the 95-day maritime strike which paralyzed shipping, cut off raw materials, completely tied up the export and import firms, lost foreign markets for many manufacturers and played havoc generally in trade and industry to the sum of about \$600,000,000.

Business men, unfortunately, are finding little basis for optimism. Few fundamental issues have been solved, few basic principles decided, no precedent has been set up as a result of the costly warfare. No procedure has been developed that contributes to progress in industrial relations, excepting a hope that the National Labor Relations Board can adjust future disputes.

Some Unions Gain; All Pay

Some of the striking unions gained nothing. Others gained wage increases or reductions in working hours. In view of the layoff of three months to be paid out of prior or future earnings, the strikers' increases in pay are microscopic. The tieup was no asset, either, to prestige of government officials, national, state or city.

Last Oct. 29, seven unions, all members of the Maritime Federation, went on strike. Six of these were seagoing groups. One, the International Longshoremen's Association, headed by Harry Bridges, is made up of shore workers. Ranged on the opposing side

were two employing groups, the off-shore operators, including intercoastal and transoceanic, such outfits as Dollar, Grace, Matson and American-Hawaiian, and the coastwise or steam schooner owners.

After seemingly endless negotiations which left business and the public groggy, the union membership finally was directed by their joint negotiating committee last weekend to vote on acceptance of the agreements drawn up with the two sets of owners, although a few disputed points were left dangling.

What Bridges Got

The new contracts run until Dec. 31, 1937, and are renewable at that time unless either party files notice of desiring a change. The largest and noisiest group, the I.L.A., return to work under identical wages and working conditions prevailing before the strike. The only point the longshoremen gained is this: under the 1934 award, drawn up following the strike of that year, a six-hour day was set between 8 a.m. and 5 p.m. with wages at 95 cents an hour straight time and \$1.40 overtime. Employers were allowed to call for relief crews after 3 p.m. to work on straight time until 5. It soon developed, however, that relief gangs were not to be had at the union-controlled hiring halls and employers were forced to pay overtime for the extra two hours to gangs already on

the job. This was tolerated by the employers. In the new agreement, the right to ask for relief gangs after 3 p.m. is relinquished and the two hours will constitute overtime at \$1.40 an hour.

Substantial gains were made by Harry Lundeberg's Sailors' Union, a \$10 monthly increase in base pay in all classifications, a gain of 15%. The hotly-debated cash payments for overtime replaces the former time off for overtime, a distinct victory for Lundeberg.

No Closed Shop for Officers

The Marine Engineers' Beneficial Association and the Masters, Mates & Pilots, lukewarm toward the strike, emerge with a \$15-a-month increase for all grades and cash overtime. A demand for a closed shop for all licensed officers fell by the wayside.

The American Radio Telegraphists Association, which held up the settlement in the closing hours of the battle, receives a \$10 monthly increase. There remain to be threshed out demands by the radio men that full crews be maintained on steam schooners in the coastwise service, and for limits to the work required of them in the purser's office.

Cooks and Stewards voted on a \$10 monthly increase, amounting to 20% cash overtime, an eight-hour day in twelve hours on freighters and steam schooners and a nine-hour-in-thirteen on passenger ships. Unlicensed firemen were offered a 15% (\$10 a month) boost with cash overtime.

During the strike, the off-shore employers, represented by the Coast Committee for the Shipowners, and the coastwise group joined together by the Shipowners' Association of the Pacific Coast, effectively maintained a united front. The shipowners, who ceased



PEACE AGAIN—After 95 days of striking, shipowners and spokesmen for unions reached an agreement that ended the tieup of the Pacific Coast shipping industry. Attending one of the final conferences (left) were shipowners Roger D. Lapham, president, American-Hawaiian line; R. Stanley Dollar, head of the far-flung Dollar Line, and William P. Roth, president of



the Matson line (left to right). E. A. Burke, representative of the Marine Cooks & Stewards union; Harry Bridges, president of the Maritime Federation of the Pacific; H. P. Melinkow, adviser to several of the unions, and Harry Schmidt, president of the San Francisco longshoremen's organization (left to right) represented labor at the conference.

Wide World Photo

BACK IN
who volu
seamen du
jected ma
work: no
reached.

operation
the ship
situation

In the
relations
recent s
cord wit
of whic
battle be
disputed
all requ
operatio
and the
standing
their ca
represen
gain th
extent,
in and
Pacific

No P

Busi
the les
being
chance
of leg
forceal
there
contra
tained

The
hearin
basis
wage
with
may
often
"quic

ed by the em-
greement, the
s after 3 p.m.
two hours will
40 an hour.
made by Harry
ion, a \$10
pay in all
15%. The
ats for over-
time off for
for Lunde-

Officers

Beneficial
rs, Mates &
the strike,
increase for
me. A de-
all licensed

elegraphists
the settle-
the battle,
ase. There
ermands by
s be main-
the coast-
er's office.
on a \$10
to 20%,
r day in
nd steam
irteen on
firemen
month)

ore em-
ust Com-
and the
r by the
e Pacific
a united
ceased



Photo
ative
dges,
f. P.
midt,
ation



BACK IN HIS GALLEY—Chin Lo Lee, who volunteered to cook for Baltimore seamen during their recent strike and projected march on the Capitol, is back at work now that settlement has been reached.

operations and made no attempt to run the ships, maintained control of the situation.

In the 1934 strike they had no public relations policy or direction. In the recent struggle, they functioned in accord with a plan of strategy, the basis of which was laid down before the battle began. By offering to arbitrate all disputed points, and by acceding to all requests from Washington for co-operation with the Department of Labor and the Maritime Commission, and by standing ready at any time to submit their case to the President or his official representatives, the owners managed to gain the understanding and, to a large extent, the sympathy, of public opinion in and out of shipping circles on the Pacific Coast.

No Peace Guarantee

Business is pretty well agreed that, the leadership of the maritime unions being what it is, there can never be any chance of lasting peace until some form of legislation sets up a definite and enforceable method of arbitration and until there is some reasonable assurance that contracts, once drawn up, will be maintained.

The Maritime Commission opened hearings Wednesday to determine a basis for a sensible arbitration plan in wage and labor disputes. Together with the N.L.R.B. clause, this move may bring about the answer to the often recurring problem of ending "quickie" strikes.

Left-wingers of the union leadership will continue to seize any opportunity that arises to agitate for another tie-up, and there are enough "sore spots" in the settlement to furnish a basis. On the other hand, there is a large group, mostly of the licensed men, that didn't favor this strike and will stiffen opposition to another, for a while, at least. For the moment, the majority in all groups is thoroughly "fed up" with payless idleness.

Business will watch two men in particular—Bridges with his ambition to extend the Maritime Federation to every port in the country and thereby gain complete control of waterfront labor, and Lundeberg with his plodding and persistent ambitions for his sailors. On the relations between them (strained at present) will hinge the permanence or impermanence of the peace just attained.

Chemical Expansion

Westvaco buys control of Coast firm; will spend \$1,000,000 to make magnesium products.

INDUSTRIES dealing in rubber, paint, heat-insulating materials, open-hearth steel, cosmetics, and a host of other things have at least one chemical link—magnesium. Magnesite ore always has been a principal source of magnesium products, and for some years the chemists have also been extracting them from sea water. Soon, following the acquisition of the California Chemical Co., San Francisco, by Westvaco Chlorine Products, Inc., another plant will join those which are already engaged in commercial production.

Expansion of California Chemical's present plant will get under way immediately, according to Stanley Barrows, its president, and will call for an outlay of about \$1,000,000. Most of the enlargement will be for the purpose of manufacturing products from magnesium, principally for steel refractories.

Magnesite refractories are widely used in construction and maintenance of open-hearth furnaces and the products containing "8% magnesia" are widely known for their heat insulating properties. As raw material, Westvaco's new plant will use sea-water bittern, which is the waste liquor left after the salt has been extracted. From this the chemists make magnesium oxide products for the industries listed above and for many miscellaneous chemical and pharmaceutical needs.

The San Francisco plant also is one of the leading makers of ethylene dibromide, one of the constituents of "ethyl fluid," an anti-knock compound now used in more than 70% of all the motor gasoline marketed in this country.

Do you UNTHINKINGLY ABUSE YOUR EYES?



**Faries
GUARDSMAN**
Model 2242
Price \$13.50

YOUR eyes must constantly adjust themselves to meet an ever-changing variety of conditions . . . glaring light — sunlight — reflected light — dim light — shadow . . . all demand instant eye adjustments. Yet strained or over-worked eyes are slow to complain. Often serious damage has resulted before warning is given. Adequate light is a safeguard against eye-strain. You need bright light plus proper control . . . a light with the texture of daylight, yet free from both glare and shadow. Faries Guardsman Lamp meets all these requirements. See it today; if your dealer cannot supply you, please write us.

FARIES MANUFACTURING COMPANY
and S. Robert Schwartz, Div. BW
DECATUR, ILLINOIS



Mallory Guards Quality for Big Hosiery Makers

Broken threads in knitting play hob with quality production, unless the break is detected instantly and the damage repaired. When a single fragile silk thread breaks, the knitting machine must stop.

And Mallory contacts are responsible for that stop—operating so delicately that action results from a broken thread!

Mallory contacts are the only contacts found so far that will perform this operation dependably—just another indication of why Industry depends on Mallory products at the heart of things.

P. R. MALLORY & CO., Inc.
INDIANAPOLIS INDIANA

Cable Address—Paimallo

P. R. MALLORY & CO., Inc.
MALLORY

PARTS FOR RADIO, ELECTRICAL,
AUTOMOTIVE AND INDUSTRIAL FIELDS

Crude Oil Up; Gasoline to Follow

Price of petroleum raised 10½ cents a bbl., and may go up 5 cents more in spring. Filling stations will then pass increases along to public.

CRUDE oil prices have been advanced for the second time in 13 months, but this was not done until some of the impetuous spirits in the industry had been mildly chastised. The price rise averages about 10½¢ a bbl.; it started in the Southwest and has spread to practically all producing areas east of the Rockies.

But the story is not all told in such a simple announcement. For, last December, Continental and Barnsdall surprised the trade by posting an increase of 17¢ a bbl. (*BW—Dec 12 '36, p27*). Additional surprise was occasioned by the fact that the boost was to take effect a month later, Jan. 4, whereas the industry is accustomed to making its mark-ups immediate.

Didn't Seem to Agree

One reason for the post-dating appears to have been that the rise was just a wee bit tentative. Dan Moran, Continental Oil's chief, said that producers had to be allowed to make more money—must either get better prices or increase production, and the latter alternative might have upset the interstate control plan. Yet the industry seemed not to be in agreement as to what the rise should be or when it should go into effect.

Complicating the situation, is the anti-trust activity of the Department of Justice; in bold relief were the indictments returned in Madison, Wis., in midsummer (*BW—Aug 8 '36, p26*). No one at this time is taking any chances of being accused of collusive price fixing.

The present situation looks like a far cry from collusion. Came Jan. 4, and Continental and Barnsdall were left high and dry with their 17¢ advance in the Mid-Continent field. Some of the other big companies appeared to be in the position of telling this pair that they weren't to be railroaded. Not until Jan. 28 did they modify their attitudes. Then Humble Oil, a Standard

of New Jersey subsidiary, posted the increase which the industry followed—10¢ and 12¢ a bbl. for most grades. Barnsdall and Continental immediately pulled down into line.

What this will mean at retail is yet to be decided. It is apparent that most refiners will ask ½¢ a gal. more for tank-wagon gasoline. Some are quoting a half-cent advance, which reflects more nearly what the crude boost costs refiners, for only a few companies get much more than 20-25 gallons of gasoline from a barrel of petroleum.

Second Price Boost in Sight

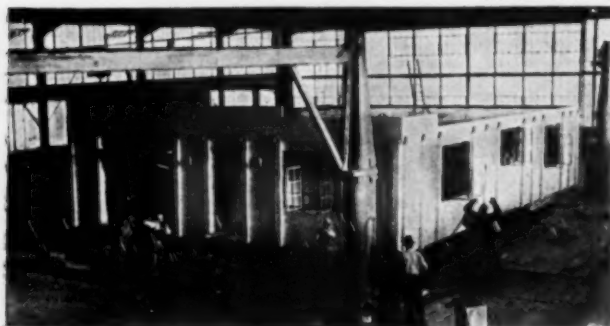
But the industry is talking of a further advance of 5¢ a bbl. in crude in the spring. Probably refiners then would boost tank-wagon gas another ½¢, a total mark-up of ½¢ on a 15½¢ advance in crude. Right now the filling station might not be able to pass increases along to the public, for it is the slack

period in gasoline consumption; in April it will be a different story. And kerosene and fuel oil prices already have gone up, so that the present series of events will probably have shaken down into stable profit margins before summer.

The industry is distinctly optimistic. While crude production is at an all-time peak, above 3,200,000 bbl. daily, refinery takings are similarly huge. Kerosene and fuel oil demand still is running ahead of production, and relatively little gasoline is going into storage. Observers believe 1937 will run 8% ahead of 1936 consumption figures, and if this pans out a still higher daily average crude oil output is going to be necessary.

If this step-up materializes, crude producers will be in a far different position from that confronted at depression lows—when a few were taking 10¢ a bbl. and the official quotation in the Mid-Continent was 30¢ for crude oil. In that same field the figures are now around \$1.25 to \$1.27. If production runs something like 8% ahead of 1936, the industry will get this \$1.25 price on an output of more than 1,100,000,000 bbl., which is almost twice the flow for 1933.

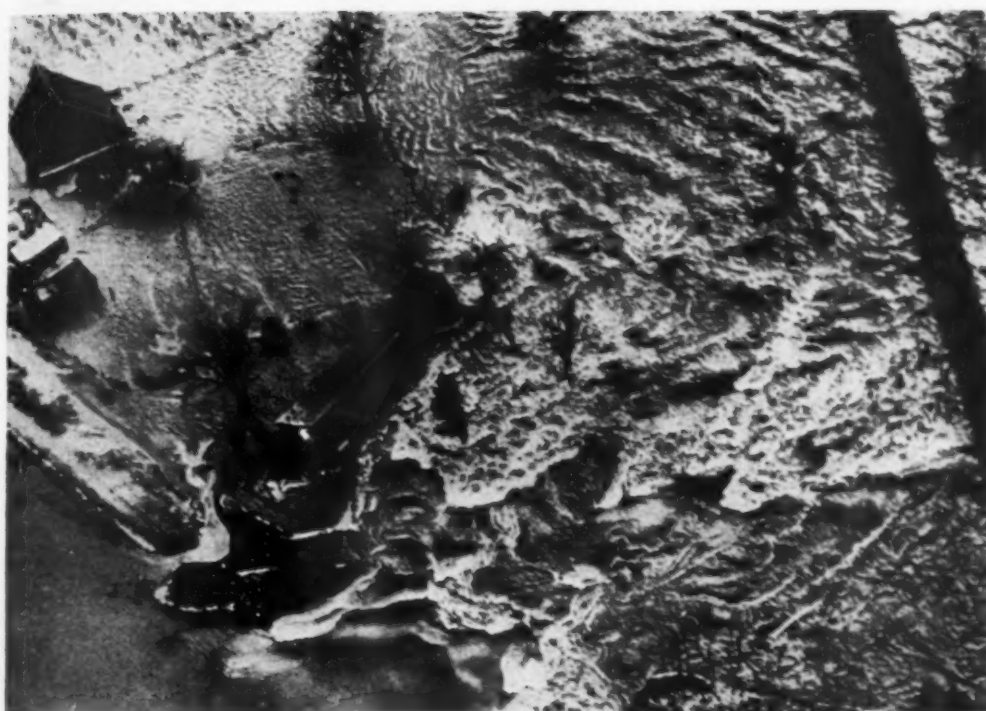
FACTORY - BUILT—
R. G. Le Tourneau, Inc., of Peoria, Ill., sets what it considers to be a new record in the use of mass production methods as applied to home building. Its new all-steel, all-welded 5-room houses, complete with built-in garage, are built and assembled in the factory (lower left), delivered in toto on a track-type trailer (lower right), and set down by a tractor crane right on its lot. After water, sewer, and electricity connections are made and the landscaping completed (center right) it is ready for occupancy.



Business Week photos

FLOOD FRONT...

to keep a waiting world informed



The first flood broadcast was made by NBC at Kennett, Missouri, on January 20th. It was the only one that day—and the first of many NBC broadcasts during the week that followed!

From every point, NBC Microphone Crews—announcers, commentators and engineers—kept a waiting world informed. They broadcast from 'planes . . . from boats in the tide-washed floods of Main Streets . . . from mobile units which often replaced the crippled radio transmitters in the cities of the affected areas.

More than 100 Pickups from 21 Cities in 11 States

Over the great NBC Blue and Red Networks of 116 stations sped more than 100 broadcasts in that one week. Broadcasts ranging from 10 minutes to 1 hour described conditions as they developed. American Red Cross appeals brought instant and generous response to the stricken. Crisp news summaries crackled into the air from coast to coast. America heard the news—NBC was on the scene.

NATIONAL BROADCASTING COMPANY

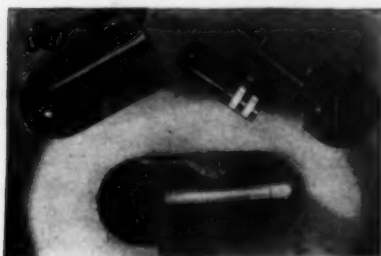
A Radio Corporation of America Service

SALES INCREASED 34%



Market research convinced the Larsen Baking Co. this new Durez box would step up their holiday fruitcake sales. The actual increase of 34% was far ahead of expectations—proves again the extra eye appeal and saleability Durez can give a product. This black Durez tray with ivory molded cover is sleek and beautiful, far ahead of present competition. And women will keep it permanently to serve other cakes and pastries—a Larsen advertisement for years to come.

840 LB. PRESSURE PER SQUARE INCH



The mercury control switch used on the Globe dry-pipe automatic sprinkler is a good example of the unusual specifications Durez can meet. With this system, the pipes are kept under 150 lb. air pressure, which drops when a sprinkler head lets go. The control switch then closes an electric circuit, opening the water valves. Fire underwriters approved this switch after it withstood an internal pressure of 840 lbs. per sq. in. without distortion. (Only 750 were required.) Durez is the ONLY material that could meet all the Globe specifications as to tensile and electrical strength, resistance to water, mercury and heat.

DUREZ is a hot-molded plastic, simultaneously formed and finished in steel dies. **STRONG...LIGHTER THAN ANY METAL...HEAT-RESISTANT...CHEMICALLY INERT...SELF-INSULATING...WEAR-PROOF FINISH.**

Why not let Durez bring these same advantages to your product? For further information and a copy of monthly "Durez News" write General Plastics, Inc., 112 Walck Road, North Tonawanda, N. Y.

GENERAL PLASTICS'
DUREZ

New Products—New processes, new designs; new applications of old materials and ideas.

SYNTHETIC textiles are about to invade the business office in typewriter ribbons evolved jointly by Remington-Rand, Inc., Buffalo, and American Bemberg Corp., 261 Fifth Ave., New York, and to be marketed by the former. The extreme fineness of the cuprammonium filaments (11,520 per sq. in.) in the new ribbon will make possible clear sharp letters and long ink life.

PORTABLE as a walking stick and approximately of the same shape is the new "Pyramid" immersion pyrometer of Tamms Silica Co., 228 N. La Salle St., Chicago. Comprising a pistol-grip



Business Week

handle and aluminum instrument head combined, an aluminum extension tube, a flexible arm adjustable 180 deg. in any direction, and readily changeable thermo-couple tip, the new tool gives the non-ferrous foundry foreman little excuse for sour pouring temperatures.

THOSE who have been called upon to cut any quantity of orthodox corrugated fiber board can estimate from the dulled edges of their knives the damage that comes to production tools in fiber container plants. And those who have seen some of the brilliant new color printing available on corrugated containers will wonder at that new departure. The secret is a new starch adhesive (set only with extreme heat) developed by Stein Hall & Co., 285 Madison Ave., New York. Being non-alkaline, starch does not neutralize the brilliancy of printing ink; being organic, starch does not ruin edged tools.

PROUD possessors of shiny new automobiles with their equally shiny one piece tops may sometimes hanker regretfully for the old bus with top scarred by transportation of trunks, boats, skis, toboggans, and what have you. But Vac-O-Grip Co., 2023 Detroit Ave., Toledo, has come to the front with a general purpose carrier which will neither mark nor mar the shiniest top. Four large soft rubber vacuum cups do the holding in cooperation with the intake manifold of the engine.

WHETHER appreciated or not, the manufacturer of the "Auscolift" automobile jack, Auto Specialties Mfg. Co., St. Joseph, Mich., has hit upon a lifting and holding mechanism which should find wide application in other fields. The jack comprises a cast base, an upright smooth steel shaft, and a movable mechanism which carries its load upward when the lever is raised and permits it to slip downward when depressed. Photograph of cutaway model reveals spring-actuated holding ring (top) which clinches shaft when in at-rest position, but releases its grip when the lever-actuated lifting ring acts.



Business Week

THE inventor of "Spell-O-Light" luminous letter blocks makes it possible for the window display man to spell out any message to his public, letter by letter, word by word, or phrase by phrase. As produced by Heinemann Electric Co., Trenton, N. J., these electrified blocks each contain a 10-watt bulb and are so wired that the blocks need only to be pushed together for adequate mechanical and electrical coupling. Blocks may be arranged in straight line, stacked vertically, suspended, or even scattered about.

A PATENTED pegboard distinguishes the new "Comptometer" payroll method of Felt & Tarrant Mfg. Co., 1735 N. Paulina St., Chicago. The operator slips three punched forms with carbons



Business Week

over the pegs which hold them in accurate register. She then proceeds to compute and write a particular employee's earnings, taxes, etc., on his check. The writing goes through the carbon to the payroll register and the employee's earnings record beneath. At one writing she has provided all the forms required by Social Security Law.

F.D.R. Cold on Co-ops

Thinks European success could not be duplicated here. His commission writes mild report.

WASHINGTON (Business Week Bureau) —Retailers will sigh in relief when President Roosevelt's commission of inquiry into European co-op enterprises shortly submits a report that, instead of proposing methods for injecting government-subsidized cooperative enterprise into American retail economy, is merely a "study," without recommendations of any sort.

While the group that toured Europe last summer holds that the principles of cooperation can be mingled with the present national economy and that the concept of the cooperative state does not necessarily follow, it is the relation of this movement to socio-political doctrines of the Father Coughlin stripe, along with Marxism, Communism, Fascism, or whathaveyou, that quenched the fire of Rooseveltian enthusiasm, for fear of its repercussions during the election campaign.

The President had previously lifted high the hopes of the co-op movement's left wing by appointing last July the group, headed by Jacob Baker, assistant administrator of the Works Progress Administration, to learn what European consumer cooperative methods may be adaptable in this country. The commission scrupulously avoided Germany, Italy, and Russia and returned in October in hopeless disagreement over the recommendations to be drawn from what they had seen in Britain, Sweden, Norway, Denmark, Czechoslovakia, Switzerland, Holland, and Belgium.

Can't Follow Europe

In the meantime, the President's interest, which apparently had been aroused by Marquis Child's book, "Sweden: the Middle Way," had evaporated in the heat of the campaign. He has since reached the conclusion that in this big United States, the methods of promoting cooperative enterprises which have been successful in the small European countries would be futile.

The committee is prepared, however, if the President evinces any interest in its report and calls for recommendations, to suggest that a similar study be made of the growth of the cooperative movement in this country. Organization of consumer buying co-ops was spurred by the depression, and the operations of marketing co-ops now bulk large in volume, although their growth has been slow. According to conservative sponsors of the movement, this is the way it should be. They oppose government aid that would induce mushroom growth of cooperative organizations but eventually leave them flat.

WHY WE SWITCHED TO *Warner & Swasey Turret Lathes*

"We put one new Warner & Swasey in our production line. Man, howdy! What we had been doing on a lathe in 60 hours was done on the Warner & Swasey Turret Lathe in 16. Naturally we standardized on these new, fast Warner & Swaseys."

Factory Manager,
Cleveland Punch & Shear Co.

**WARNER
&
SWASEY**
Turret Lathes
Cleveland

CUT PLANT HEAT LOSSES



REDUCE FUEL BILLS—WITH A GYPSTEEL PLANK ROOF-DECK

Heat is lost first through the roof—a GYPSTEEL PLANK roof-deck reduces heat losses and eliminates the need of expensive extra insulation. PLANK—the modern structural unit, shaped and handled like wood—has the insulating value of 9 to 10 inches of concrete. In addition, it's fire-safe and has the rigidity, strength and permanence of a masonry material. Can be put on by your own maintenance crew in any weather. Full details are given in the GYPSTEEL PLANK Catalog—free on request. Write today to Structural Gypsum Division, American Cyanamid & Chemical Corporation, 50 West 50th Street, New York, N. Y.

WITH **GYPSTEEL PLANK**



CLARK GABLE OF THE VALVES — This Hancock valve (lower right) is star in the first industrial full-color "depth" movies ever taken. George W. Wheelwright, 3rd, of Polaroid Corp., handles camera while Louis Brendel of Hancock Valve division of Consolidated Ashcroft Co., Bridgeport, Conn., poses the shot. Finished movie, now at the New York Museum of Science and Industry, is so realistic that sparks appear to fly out of the screen.

All About Chicago Traction—Again

Rapid Transit Co. gets authority to reorganize under 77-b, and Mayor Kelly submits comprehensive plan to end long-tangled traction situation.

BRICKS flew and hornets buzzed in Chicago last week as legal wheels turned in the application of the Chicago Rapid Transit Co. for permission to reorganize under Section 77-b of the Bankruptcy Act. Bricks were thrown mostly by Lewis F. Jacobson, attorney for creditors who two years ago asked Federal Court for involuntary reorganization of Rapid Transit under Section 77-b, and by Mayor Edward J. Kelly, who doesn't think a great deal of trolley cars or elevated trains as efficient and profit-making means of transportation. Attorneys—a courtroomful of them—served as hornets.

Mr. Jacobson didn't throw his biggest brick—because Judge James H. Wilkerson, presiding in Federal District Court, wouldn't let him throw it at this stage of proceedings. The attorney, in a statement to the court, asserted that rates charged Rapid Transit for current by the Commonwealth Edison Co., which owns 60% of Rapid Transit stock, were excessive—and said he would prove by Mayor Kelly and other witnesses that current could be bought much more cheaply from the Chicago Sanitary District, which supplies the City. Judge Wilkerson said this was a matter that might be gone into later.

Kelly Has a Plan

After four days of legal fireworks, the ruckus subsided as quickly as it had arisen, no doubt to be renewed when the reorganization plan is brought forward. Judge Wilkerson granted Rapid Transit's application for authority to reorganize under Section 77-b, taking the company out of its equity receivership, and appointed A. A. Sprague and Britton I. Budd, who had served as receivers under the equity proceedings, as temporary trustees under the 77-b action.

Mayor Kelly, having earlier slapped down an eight-point, 33-page traction plan for the City Council and interested parties to chew on, packed his bags and climbed aboard a train for Miami Beach, Fla., leaving the Council and interested parties to do their chewing. First reactions to his plan were favorable.

Principal points in the Kelly plan are:

1. Immediate enactment of a franchise ordinance, to be offered to the Rapid Transit Co. and the Chicago Lines on condition that they work out a method of providing unified transportation service and find capital for necessary improvements.
2. Creation of a City Transit Commission, with authority over service, rates of fare, accounting, etc.
3. The immediate substitution of trolley or gasoline buses for trolley cars where such substitution is found economical and in the interest of improved public service.
4. The conversion, in the event that rehabilitation and extension of elevated rapid transit is found impracticable, of at least some sections of the elevated structures into superhighways.
5. The construction of subways or underground streets in the central business district to accommodate increased traffic deriving from elevated extensions and superhighways.
6. Eventual elimination of the elevated structure in the Loop.
7. Consideration of the possible use of the properties and suburban service of the railroads in coordination with local transportation.
8. General coordination of methods of handling the flow of motor traffic by development of through streets, one-way streets, a scientific traffic control system, etc.

Boys and Girls, Inc.

Metropolitan Junior Achievement shows young people how to organize own companies.

A YOUTH from New York's lower East Side walked into the Yale Club of New York shortly before the Christmas holidays, and told R. A. Floyd Jones, club manager:

"I represent Boys' Club Craftsman, Inc., caterers in fine laced leathers and hand-finished articles. I am told you are thinking of buying some leather desk folders for the club. I have here a sample of our work. You will find it of superior quality."

The youth left the club with an order for seven desk folders, at \$6.50 each, to be delivered in from a month to six weeks.

Five summers before, this boy and 11 others from the same neighborhood attended a Communist boys' camp near New York. When he returned to New York in the fall, he came preaching Communism to his young associates. So did the 11 other boys who went to the camp.

From Communists—

At the Boys' Club of New York, of which the 12 youngsters were members, the young Communists were thorns in the side of the executive staff. No longer interested in sports or in boys' games, they talked constantly and exclusively of the economic system. Communism had caught them young, and the Boys' Club didn't know what to do about them.

Finally, the club appealed to J. S. Mendenhall, executive director of Metropolitan Junior Achievement, Inc., a non-profit, educational organization, set up to carry out an idea of the late Theodore N. Vail, president of the American Telephone & Telegraph Co., who believed there should be an organization to teach boys and girls the principles and technique employed in business.

—To Capitalists

Mr. Mendenhall spoke to the group at a meeting at the Boys' Club. He told them how they could form a company to manufacture useful articles, obtaining capital and issuing and selling stock; how they could reserve some of the stock for purchase out of their wages, and how they could buy stock outright; why their production manager, sales manager, president, and board chairman must be chosen solely on a basis of fitness for the job. He talked to them, too, about working in leather, in which he knew one or two of the group had shown some interest.

The result was the formation of a company which today sells its products

regularly through shop, and fil-
dents of Pa-
articles made
covered cigar
covers, nove-
social regist-
covers, cha-

Voted a Di-

The boys
tal of \$50,
stock at 25
45% of the
own about
annual meet-
of 10%.
a small divi-
A. Strong,
manufacture
had "invest-
company.

as he recal-

Fifty-two
of boys, o-
ages of 16
New York
New York
groups, o-
other in de-
Girls' com-
dress acces-
ers, and w-
terial used
for glass.
various de-

About
Achievem-
Rockefelle-
combinati-
work-room
Laboratory
boys, one

Banks

THE Fed-
of what
2'37,p30
as plann
howl fro
that whi
cannot p
much ha
year) an
errors de
thing of
volving

Led b
Florida,
issippi, a
tions al
ville, an
tions—
board
court d
felt, wi
when C
of Hou-
tees re
authori-
to May

Inc.
Achieve
people how
panies.

rk's lower
le Club of
the Chris-
A. Floyd

Craftsmen,
athers and
told you
ne leather
have here
will find

ith an or-
at \$6.50
a month

boy and
hborhood
s' camp
turned to
preach-
g associ-
boys who

ork, of
embers,
orns in
F. No
n boys'
nd ex-
system.
young
y what

J. S.
Met-
nc., a
tation,
e late
f the
Co.,
n or-
s the
d in

roup
He
om-
ob-
ling
e of
their
ock
an-
and
ely
He
in
wo
st.
a
ts

regularly through a smart Fifth Avenue shop, and fills special orders for residents of Park Avenue. Among the articles made by the group are leather-covered cigarette boxes, loose-leaf book covers, novelty wallets, small purses, social register and engagement pad covers, change purses, key cases.

Voted a Dividend

The boys began business with capital of \$50, raised by the sale of capital stock at 25 cents a share. They took 45% of the stock themselves, and now own about 60%. Last May, at their annual meeting they voted a dividend of 10%. Among those who received a small dividend payment was Richard A. Strong, of Strong, Hewat & Co., manufacturers of woolen fabrics, who had "invested \$5 or \$10" in the boys' company. Mr. Strong still chuckles as he recalls the dividend payment.

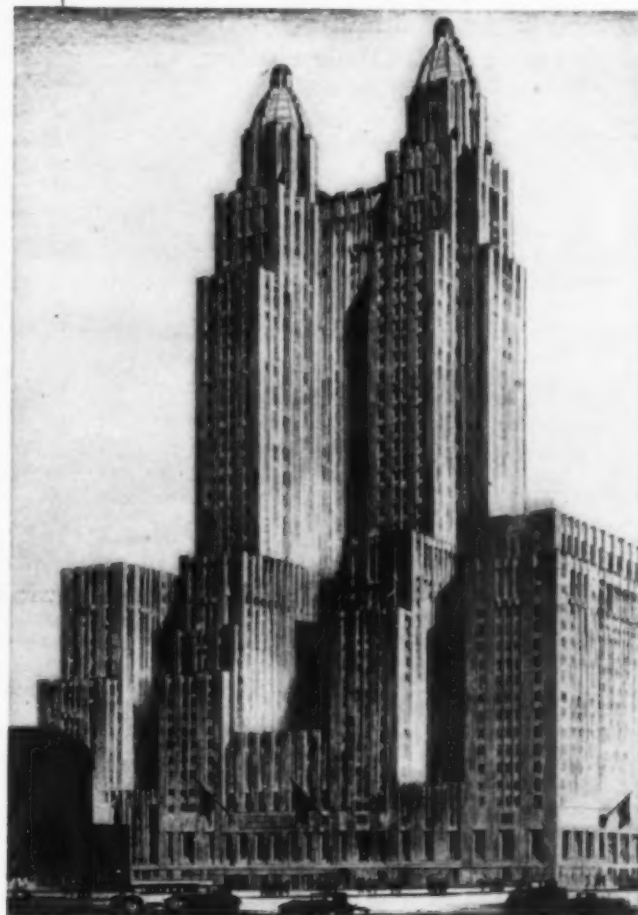
Fifty-two companies, some made up of boys, others of girls, between the ages of 16 and 21, operate in Greater New York. At the Boys' Club of New York there are two additional groups, one working in metal, the other in domestic and imported woods. Girls' companies make knitted goods, dress accessories, boxes, and box covers, and work in catalin, a plastic material used in Germany as a substitute for glass. From catalin they make various decorative novelties.

About Mar. 1, Metropolitan Junior Achievement, Inc., will set up, either at Rockefeller Center or in the vicinity, a combination of executive offices and work-rooms to be known as Youth's Laboratory. Two companies, one of boys, one of girls, will work nightly.

Banks Block Interest Rule

THE Federal Reserve's new definition of what constitutes interest (*BW*—Jan 27, p. 30) didn't go into effect Feb. 1, as planned, because of the concerted howl from member banks. Interest is that which Federal Reserve members cannot pay on demand deposits (that much has been in effect more than a year) and the system's Board of Governors defined the term as including anything of value, including services involving out-of-pocket expense.

Led by the smaller banks—Alabama, Florida, Kentucky, Louisiana, Mississippi, and Tennessee bankers' associations along with the Cincinnati, Louisville, and Mobile clearing-house associations—dissenters appeared before the board recently to protest. They cited court decisions which conflicted, they felt, with the board's definition. Then, when Chairmen Steagall and Wagner of House and Senate banking committees recommended delay, the Reserve authorities postponed the effective date to May 1.



According to the signed testimony of America's industrial leaders on "Waldorf" registers, the executive mansion of the commercial capital of the United States is The Waldorf-Astoria.

Chas. Boomer
PRESIDENT

THE
WALDORF-ASTORIA
PARK AVENUE • 49TH TO 50TH STREETS • NEW YORK

Huge Crowds Jam Aviation Show

Planes range from simple to luxurious. Biplanes and monoplanes continue their rivalry. Changes in design are mild, except for propellers.

PRECISELY at 3:21 p.m. Sunday, Jan. 30, third day of its 10-day tenure of Grand Central Palace, New York (Jan. 28 to Feb. 6), the National Aviation Show tallied its 100,000th visitor. People kept coming. By Monday, painters had to be called in to renew the paint job on the steps and platform which overlooked and permitted inspection of the inwards of D. W. (Tommy) Tomlinson's TWA "overweather flying laboratory."

This special Northrup plane—powered with supercharged 1,000-hp. Wright "whirlwind" engine for flight at altitudes of 30,000 ft. plus, and equipped with all manner of laboratory gadgets for determining the physical characteristics of weather above the weather—caught the eyes of every visitor in its No. 1 position at the show's entrance and keynoted the entire affair by its timely emphasis on safety.

Many Design Features Hidden

Casual lay visitors, who had been denied an aviation show east of Detroit since 1930, were almost as much impressed by things unseen as by things seen. "Pants" on landing wheels, for instance, were almost non-present, having been superseded on the more expensive planes by retractable landing

gears and abandoned altogether on planes for the man-in-the-street market. Multi-motored planes were completely absent. Wood propellers, thought obsolescent by many lay minds, outnumbered metal props; and they were not all on the man-in-the-street jobs either. That general trends in planes were hard to spot and fix is not surprising when one considers that the 33 planes exhibited ran the gamut from a 1909 Bleriot, through military and naval planes, amphibians, and Ford-V8-powered planes, to "executive planes" with all the comforts and luxuries that executives are said to cherish.

High-Wing Models Lead

One thing, however, was clear—lacquered colors in every conceivable shade and chroma covered the fuselages and wings of all planes except one or two in natural metal.

The friendly war between biplane and monoplane continued as of other years, and with it an intramural battle between low-wing and high-wing monoplane, with the high-wing away in the lead. Outstanding among biplanes were Maj. Al Williams' Grumman "Gulphawk," especially designed for upside-down flight, Beechcraft's two air-worthy entrants, Waco's luxurious land

plane and Edo-floated amphibian, and Bellanca's noteworthy freight and express carrier designed for two-ton payloads.

High-wing monoplanes ranged from Taylor's \$1,270 "Silver Cub" (lowest price at the show—\$425 down—balance at "easy monthly payments"), through \$1,355 cabined Porterfield Zephyr, \$1,590 Aeronca, Fairchild Ranger (both Aeronca and Fairchild build low-wings also), Fleetwings' "Sea Bird Stainless Steel Amphibian," Argonaut "Pirate Amphibian," the Luscombe Phantom, the newly redesigned Cessna, and the two limousine-like cabin Stinsons. Low-wings found their exponents in the two Ford-V8-engined entries—the \$1,500 Arrow Sport, whose designers have had eyes fixed on the economies of gas station gas and oil, and the \$1,800 Keane "Ace," whose designers must have been similarly minded; also in the Ryan metal-clad "ST," whose name always brings back memories of Lindbergh; the TWA Northrup, previously described; the \$65,000 Seversky military pursuit plane with normally transparent cockpit cover neatly soaped over to protect military secrets; and the only French entry, the 220 hp. Caudron-Renault-Simoun, with accommodations for four. Cabin jobs outnumbered open jobs two to one.

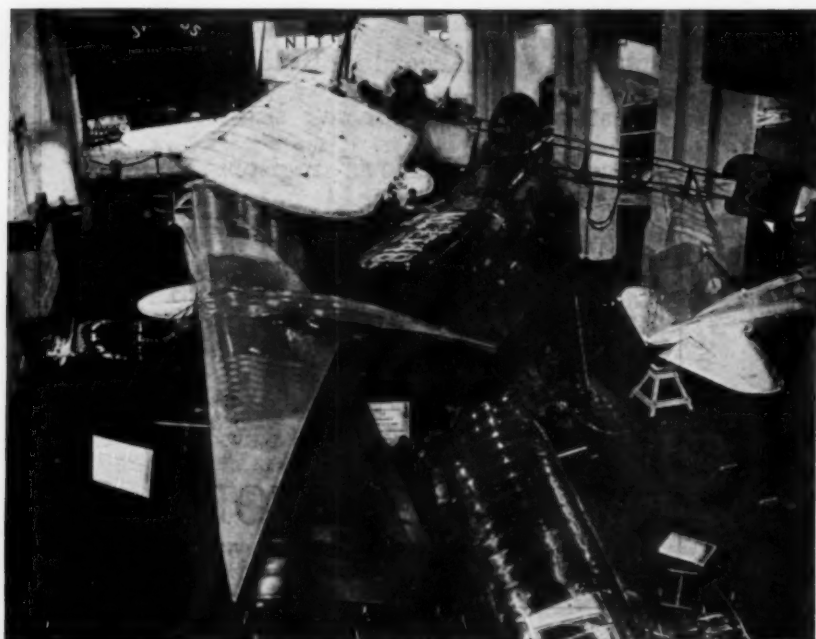
Economy Vies With Power

In other words, to the lay eye, seven years have brought no violent changes in plane design. As with motor boats and motor cars, the story is one of evolution rather than revolution. Even the Commerce Department's "Roadable Gyro" with vanes neatly folded back for highway travel fell into the evolutionary category. But the Stevens free balloon, with flying trapeze, was simply reminiscent of old-time county fairs.

Engines revealed two trends—lower and more economical powers for lower-priced planes; higher and ever higher powers for transport and military planes. But except for the pre-war rotary, which has long been missing, all types of engines were represented, from two-cylinder opposed to V-12 inverted to 14-cylinder radial. Famous American names were there: Wright, Continental, Pratt & Whitney, Jacobs, Warner, Menasco; and the French Renault.

Revolution, however, hit the propeller family—and no pun intended. Maynard-Di Cesare appeared with a basic change in a two-blader with offset hub, something roughly like a two-bladed swastika, which promises less vibration, higher speed, more manageable air stream. And Sensenich Brothers literally flew in with a self-feathering one-bladed propeller with counterweight to replace deliberately discarded other blade.

Accessory high-spots were the new Bendix-Scintilla spark plug with trans-



SHADES OF BLERIOT—Suspended above the shiny new 1937 planes at the National Aviation Show in Grand Central Palace, New York, one of the first loop-the-loopers ever built, a weather-scarred 1909 monoplane designed by the famous French pioneer, told the full graphic story of how far aviation has gone in less than three decades.



Let's hope there is never need to fire them in earnest



*The Menacing Muzzle
of an Earth Shaker*

• In a previous issue we briefed the story of how Santa Fe petted California Tech's 200-inch telescopic disc across half the continent—a 30-ton parcel, fragile and precious beyond belief • We never know what unusual problem the new day may bring. But to every movement of goods over our line—large or small, spectacular or commonplace—we endeavor to give that service that alone holds the confidence of shippers.

Santa Fe Pulls Prodigious Poppuns

Uncle Sam has four almighty big long-range coast defense railroad guns. Two in Panama, two in California. 14-inch whoppers weighing 365 tons each; throwing a couple of tons of concentrated destruction nearly 23 miles • A while back the Army decided to move the California twins—unfired in eight years—down the coast for a bit of practice shooting, simulating war conditions • So the Santa Fe joined the Army again. Each gun must roll on a special railroad truck with 14 pairs of wheels; have a specially built spur track from which to fire. Anti-aircraft guns, manned and ready for action, thrust skyward from adjacent gondolas. Other cars carried ammunition and equipment, and empty flats were added to spread the weight over railway bridges. Fourteen cars, with about 100 officers and men, made up the train • The guns moved, stopped, boomed, retired as planned.

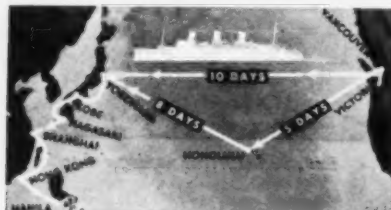
A Monster in Repose



10 days to the ORIENT!



Speed over the Pacific in the luxury of the record-holding *Empress* liners. Only 3 more days with stop in Hawaii. Connect at Honolulu from California ports.



Japanese girl with lantern

Canadian Pacific

For rates and sailings, see YOUR TRAVEL AGENT or Canadian Pacific: New York, Chicago, San Francisco, 38 other cities in U. S. and Canada.

Aetna Life Leads in number of group policies in force!



**All Forms of
Group Insurance
Life • Accident
Sickness • Pension**

Through our trained Group Representatives we are equipped to analyze your employee's social problems and recommend the proper plan for your organization.

AETNA LIFE INSURANCE COMPANY
Founded in 1850 Hartford, Connecticut
COAST-TO-COAST CLAIM SERVICE

Our Guarantee Makes It Safe to Market Your Product or Process

and avoids litigation expenses, decrees, awards and judgments. You can use your own counsel and your customers are protected.

We invite inquiries from manufacturers, distributors, business men, patent lawyers and others as to how our protective service works to prevent patent litigation.

NATIONAL PATENT CORPORATION

Established 1926

135 South La Salle Street, CHICAGO
90 West Street, NEW YORK

BUSINESS WEEK

Alert • Accurate • Authoritative
Subscription rate: \$10 for 3 years
BUSINESS WEEK
330 W. 42d St., N. Y. C.

verse cooling vanes from hex nut to cable clip, the Edo amphibious float gear, the improved Switlik chair chute for cabin planes, the Kollsman electrically heated pitot static tube, the Jaeger Scriptach recording tachometer with chart to show all engine speeds throughout a given 24 hours, the Pioneer sensitive altimeter, the Sperry gyro-magnetic compass (described but not shown), the Lycoming-Smith and the Hamilton Standard controllable propellers, the Goodrich rubber de-icers and Eclipse de-icer valves, the unnamed rubber propeller nose enclosing radio direction finder, the "West" telemagnetic aircraft compass, the American-LaFrance-Foamite "Alfite" fire-fighting system with manual control directing carbon dioxide to either side of engine while in flight, the Pyrene "Phomare" foam nozzle for attachment to any water hose, the Lux fire-fighting system with non-electric fire detectors, the Pyle-National "Radi-Cone" illuminated wind indicator to replace the proverbial wind sock, and the Cities Service "Power Prover" which analyzes exhaust gas to correct carburetion and analyzes electrical timing by means of a portable stroboscopic neon light.

Plane Sales Up 85%

1936 beat '35 by that margin, and also beat '29. More military than other planes sold.

AIRPLANE builders, as almost everybody knows, sold a lot of planes and engines last year. Just how many they sold—and for how much money—wasn't known until last week, when the Aeronautical Chamber of Commerce released the news that 1936 was surpassed by 85%, and 1929 actually beaten in deliveries. For 1937, the sky is the limit.

In dollars, the 1936 sales for all classes of aircraft and engines, plus spare parts, brought American manufacturers \$76,805,000. Military planes bulk largest in the sales picture (as they do in prospects for 1937) but commercial and private planes show impressive gains. In 1936, 1,528 planes were delivered to commercial buyers, and 2,527 commercial aircraft engines swelled the total in this field to around \$35,000,000, compared with \$15,000,000 in 1935.

3 Roads Plan Buying

THREE Western railroads, feeling the upturn in business through heavier freight traffic, last week announced purchase, or plans for purchase, of equipment costing \$17,500,000.

The Northern Pacific Railway will spend \$13,000,000 for new equipment this year. Purchases will include 10,000 tons of steel rails, 2,000 freight cars, nine freight locomotives, and

Don't look
The towers
forms are r
build.

Look dov
ing and an
critical, the

The Com
pany does
the basis
and steam
types.

The imp
sign and b
generation
efficiently
operating
be. Comb
Inc., 200
Canada:
Corporati

BOILE
FABRI

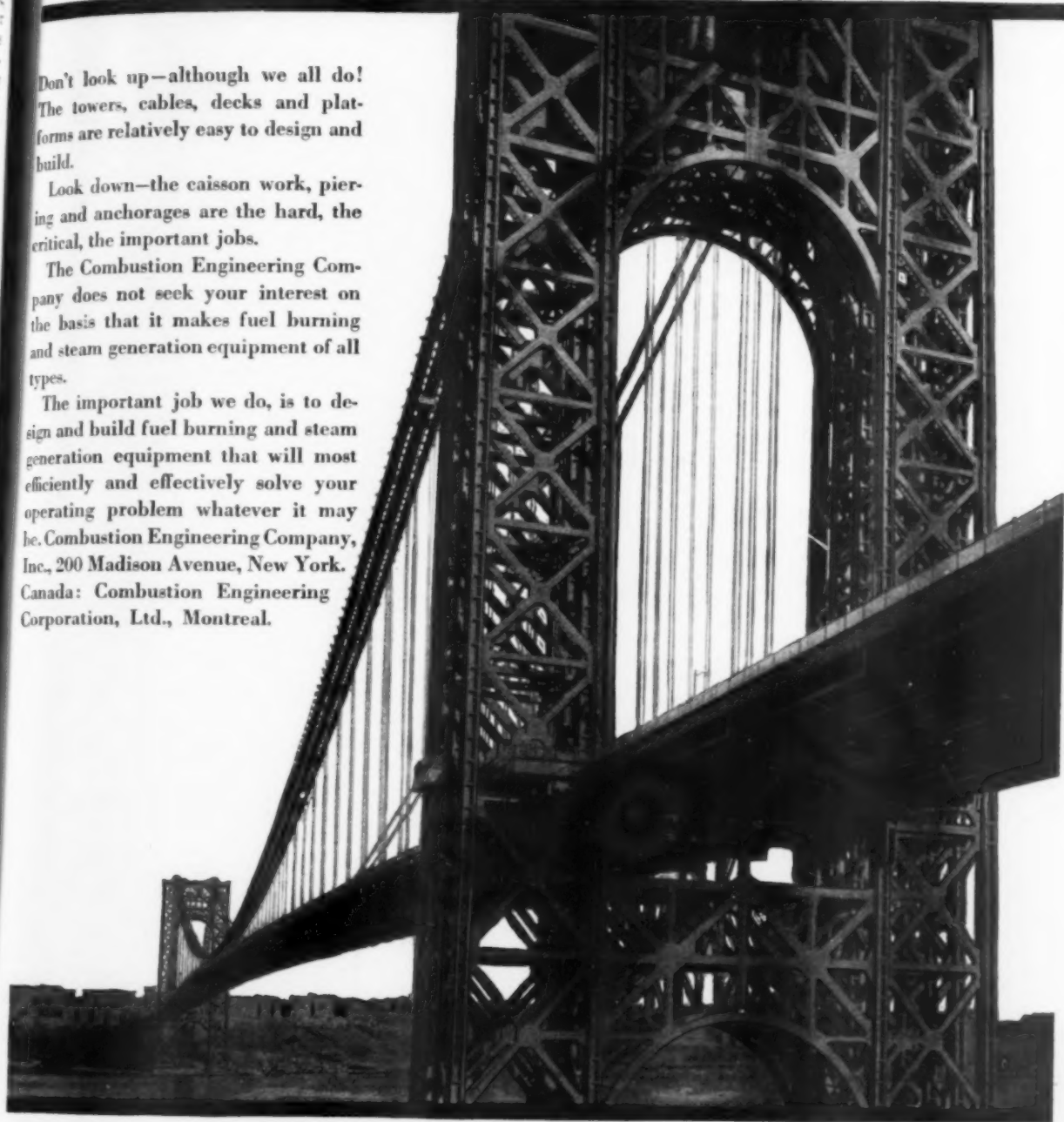
Don't Look Up!

Don't look up—although we all do! The towers, cables, decks and platforms are relatively easy to design and build.

Look down—the caisson work, piercing and anchorages are the hard, the critical, the important jobs.

The Combustion Engineering Company does not seek your interest on the basis that it makes fuel burning and steam generation equipment of all types.

The important job we do, is to design and build fuel burning and steam generation equipment that will most efficiently and effectively solve your operating problem whatever it may be. Combustion Engineering Company, Inc., 200 Madison Avenue, New York. Canada: Combustion Engineering Corporation, Ltd., Montreal.



COMBUSTION ENGINEERING

A-329

BOILERS • STOKERS • FURNACES • PULVERIZED FUEL SYSTEMS • HEAT RECOVERY EQUIPMENT
FABRICATORS of PRESSURE VESSELS, TANKS, etc., WELDED or RIVETED in CARBON, ALLOY or CLAD STEELS



Electrifying the Railroads

Announcement that the Pennsylvania Railroad will electrify 315 track miles on the main line between Philadelphia and Harrisburg and on eastern freight lines attracts public attention to world railroad electrification plans. France, Italy, Sweden, and the Soviet Union all have a greater mileage scheduled for electrification than the United States, but only Italy has a greater mileage of electrified lines now.

Electrified Railway Mileage in the World*

Country	Total Route Miles Open	Route Miles Electrified	Route Miles Under Conversion (a) or Projected (b).
Austria.....	4,400	592	196 (b)
Belgium.....	6,900	36
Czechoslovakia.....	8,400	30
Denmark.....	3,300	24
Estonia.....	900	5
France.....	33,300	1,752	410 (a)
Germany.....	36,450	1,542	135 (b)
Great Britain.....	20,400	667	220 (a)
Holland.....	2,325	146	85 (a)
Hungary.....	5,950	224	157 (a)
Italy.....	14,000	3,185	375 (a)
Norway.....	2,400	223	300 (b)
Poland.....	13,400	20 (a)
Spain.....	10,500	376	60 (a)
Sweden.....	10,500	1,770	70 (a)
Switzerland.....	3,150	1,870	400 (a)
Russia.....	53,000	550	20 (a)
United States.....	252,930	2,686	500 (a)
			315 (b)

* The Electrical Review (London).

eight passenger locomotives. Twenty-nine passenger cars will be remodeled and air-conditioned.

The Union Pacific is increasing its order for high-speed, freight locomotives from 15 to 40, the additional 25 units to cost \$3,500,000. This brings the Union Pacific's total expenditure

for equipment and maintenance in the last year to \$36,000,000.

The third railroad order disclosed was that of the Illinois Central, big mover of coal, for 500 hopper cars, costing, \$1,250,000. They will be built by the Ryan Car Co., at its Hegewisch (Chicago) plant.

Auto Dealers Want Price Laws

Urge national and state action, perhaps based on Wisconsin law, which licenses dealers, salesmen, and finance companies, and bars cut-rating.

DETROIT (Business Week Bureau)—The National Automobile Dealers Association has come out squarely in favor of national and state legislation to eliminate or curb unfair trade practices in the motor retail trade. Its entire recent annual convention dealt with the subject of suitable legislation. A special committee, well heeled with a fund of \$15,000, has been appointed to study and take action on national legislation to achieve the association's aim.

Dealers aren't sure that they won't get farther by putting more punch behind state action than by spending much energy nationally. Some 15 states already have fair trade practice laws and the United States Supreme Court has held laws in California and Illinois Constitutional. Whether the N.A.D.A. actively participates in any individual state in putting through a program will

depend on how strong the state and local associations are and whether they wish help. In Wisconsin, for example, no help is needed.

Wisconsin has a law of its own which dealers think is a honey. It is being studied as the basis for proposed laws in other states. It provides for licensing all car dealers, salesmen, and finance companies.

Under this measure, a car purchaser receives a memorandum stating the price, kind of car, accessories, amount of down payment, trade-in allowance, finance charge, and kind of insurance. The finance company must furnish a breakdown of the insurance cost. A card index is kept of every dealer. If he overcharges for financing, he gets a black mark which counts against him when he applies for license renewal the next year. Just anybody can't get a

dealer's license. One must prove serious intention to do a regular business, having some investment in it, and providing service facilities (this bars farmers, clerks, and others who figure they would like to make a little money on the side). Dealers making excessive trade-in allowances are warned they may go bankrupt. If they persist in such destructive practices, they must give bond to discontinue them or go out of business through failure to secure a license renewal.

To Make It Tighter

The law is administered by the Division of Consumer Credit of the State Banking Commission. It is likely to be amended this year to provide for a "convenience and necessity" clause similar to that for establishment of a bank. This would mean that only enough dealers to serve adequately the retail demands of the community would be licensed. The law is resulting in elimination of dealers who chisel and is instilling confidence in the retail buyer that he is getting his money's worth. Incidentally, it has been upheld by the Wisconsin Supreme Court.

While the N.A.D.A. will put its influence behind national legislation to eliminate the predatory cut-rater, it believes a supplementary law will be needed for the automotive retailer because his problem involves repurchases from the public, in addition to sales, caused by taking in used cars. In 1935 automobile retailers made a gross profit of \$214,868,098 on new cars, but tossed away this advantage by losing \$237,975,694 on used cars taken in trade.

In a belligerent mood, the N.A.D.A. asked in resolutions that car makers discontinue granting discounts to corporations, fleet users, and insurance companies, and charged its legal department with the task of finding out whether this practice can be stopped under the Robinson-Patman Act. It also went on record against the "bootlegging" of new passenger cars and trucks (selling at a discount through unauthorized individuals), and hinted that a few factories are guilty of encouraging such action.

Like Junking Plan

Highway safety, suggests the N.A.D.A., can be aided by removing outworn cars from the highways. The best way to do it is for the factories to establish junker funds (General Motors divisions had a junking fund a year ago to help tide dealers over the winter when the used car market was frozen). Chevrolet and Ford had extensive junking programs at one time. Car manufacturers who have never subscribed to the junking fund idea say that such funds in reality are added discounts to the dealer.

LADIES IN WHITE . . .

Thousands of them—each immaculate in a freshly laundered white garment—symbolize the cleanliness and efficiency of many progressive American industries. Wellington Sears Co. provides fabrics for the garments your local Linen Supply dealer can furnish you on a rental basis. Your local Linen Supply dealer will gladly give you all the details of this service.

WELLINGTON SEARS CO.
65 WORTH STREET, NEW YORK, N. Y.

rove serious
business, hav-
and provid-
farmers,
figure they
money on
excessive
and they may
ist in such
must give
go out of
secure a

the Divi-
the State
likely to be
de for a
ause simi-
of a bank.
y enough
the retail
would be
in elimi-
and is in-
ail buyer
s worth.
d by the

ut its in-
ation to
r, it be-
will be
iler be-
urchases
o sales,
n 1935
s profit
s, but
losing
ken in

A.D.A.
ers dis-
pora-
com-
rtment
ether
er the
nt on
" of
elling
d in-
r fac-
such

N.A.
out-
best
s to
tors
ago
nter
(n).
unk-
nu-
to
uch
to



Plan Deal to Pacify Hitler

Britain, France, Italy, and Russia may cooperate to provide foreign markets. Nazis may try to revive their large-scale business with Soviets.

WHAT'S ahead in Europe?

Chancellor Hitler has delivered his much heralded anniversary address to the Reichstag, and capitals all over the world are still mulling over its promises and implications.

A large-scale international deal is the only thing that can save Germany from an internal economic crisis, and Europe from war.

London, Paris, Rome, Moscow, and Berlin are most immediately concerned with the problem.

Britain Must Take the Lead

The British, through their spokesman on foreign affairs, Anthony Eden, have made it clear that they are willing to discuss plans for a freer distribution of raw materials with Germany, and some expansion of Empire markets for German goods. With the lion's share of many of the world's most essential raw materials, Britain must assume the leadership in any world plan to ease the present crisis among the "have-not" nations.

Less than a year ago, London was talking seriously of credits for Germany. They are essential if Germany is to restore its foreign trade to a free basis. They are necessary if Germany is to revalue the mark. They are necessary for the refinancing of the internal debt.

Since then, London has cooled to this need from Germany because of displeasure over Germany's peremptory colonial demands and because of the realization that the problem is too big for anything less than the cooperative efforts of all of the big commercial powers to solve.

On the question of colonies, Britain, so far, is adamant. The British public, since Versailles, has been educated to regard mandated territories as parts of the Empire. It is going to be difficult to relinquish them gracefully, but if other countries—including Germany—make comparable concessions, it can become a part of a deal.

The French have already indicated a willingness to discuss a return of the mandates they hold on Germany's for-

mer colonies in Western Africa. A new and enlarged Franco-German trade agreement is likely to be signed soon.

Italy, having worked out its own colonial problem without much thought of its treaty obligations, is cooperating to help Germany. Berlin has already been offered a share in Rome's mineral exploitation company in Ethiopia, but Rome now is eager to help itself and Berlin out of the embarrassing Spanish situation.

Hitler gave few clues last Saturday to what Germany demands or will concede in the international deal. Only concrete proposals relating to the international economic problem can be summarized something like this:

Hitler's Demands

1. Germany insists on a restoration of her colonies;
2. There must be a new deal in raw material distribution.

Germany's most pressing problem is to find foreign markets for her manufactured goods, because:

1. Larger foreign sales would provide a greater volume of foreign exchange with which to buy the raw materials which the country lacks, and to meet service charges on foreign credits—current and anticipated.

2. If Germany is to slow down its rearmament, means must be found to speed up production of its peaceful manufactures so that workers can be shifted from one line to the other. The Reich's economic balance is too precarious to allow for the large-scale unemployment which would follow any reduction of the armament program without the substitution of other work.

Acknowledgment of this problem is responsible for two recent moves. Great Britain is eager to make important steel purchases abroad, and later to buy other raw materials for its armament industries. Some steel purchases have already been made in Germany, but this is an unsound arrangement as it only develops the German armament industry and facilitates the dumping of these German products on such foreign markets as Great Britain.


Encourage Peace Industries

It would be infinitely more logical to have Great Britain purchase the necessary steel and armament products from the United States, and have the United States, as a compensation, buy peaceful industrial products from Germany in order to encourage that country as far as possible to shift its industrial activities and labor toward peaceful manufactures.

In spite of the persistent antagonism of Hitler to Communism, it is reported from intimates in Berlin that the Germans would welcome the opportunity to revive large-scale business with the Soviets, where once they were the major

KOPPERS

DESIGNERS · BUILDERS · PRODUCERS · MANUFACTURERS



KOPPERS DIVISIONS—
 American Hammered Piston Ring Division
 Bartlett Hayward Division
 Engineering and Construction Division
 Gas and Coke Division
 Tar and Chemical Division
 Western Gas Division

KOPPERS SUBSIDIARIES AND AFFILIATES—
 Eastern Gas and Fuel Associates
 Hiler Engineering and Construction Company, Inc.
 The Koppers Coal Company
 Koppers-Rheoluxur Company
 The Maryland Drydock Company
 The White Tar Company of New Jersey, Inc.
 The Wood Preserving Corporation

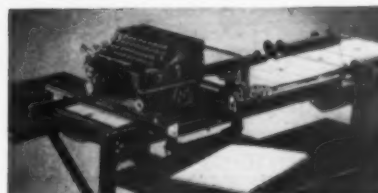
Treats Timber by Pressure Method with Creosote; Produces Creosote; and Makes Paint for Creosoted Surfaces—The protection of timber against decay, termites, marine borers has been a constant subject of technical study by Koppers. THE WOOD PRESERVING CORPORATION treats all timber by the pressure method for posts, poles, bridges, culverts, guard rails, ties, mine timbering, and for structural uses. THE TAR AND CHEMICAL DIVISION is one of the largest producers of creosote. KOPPERS has also developed Lumino, a bituminous base paint which produces a bright aluminum finish on creosoted wood.



Send for this illustrated book on Koppers.

KOPPERS COMPANY, PITTSBURGH, PA.

"We've Paid a Penalty of \$25,000 A YEAR- FOR NOT KNOWING WHAT FANFOLD SYSTEMS COULD DO"



WHAT a penalty to pay for NOT KNOWING... for being satisfied with old obsolete methods of handling office forms... \$25,000 a year! For that is what one large brokerage house saved in labor costs alone after Underwood Elliott Fisher Fanfold Machines and Fanfold Forms had replaced an old wasteful method of entering orders and keeping office records.

Underwood Elliott Fisher Fanfold Machines solve the problem of writing office forms with speed, economy and accuracy. By a very simple process they combine the related forms of a business into a single continuous form. They not only make it possible to write all of

them at a single typing but they make it impossible for someone to forget to type an essential copy of the form.

Unsurpassed speed and accuracy are two of the outstanding characteristics of the Underwood Elliott Fisher Fanfold system... economy is a factor that develops as a matter of course. The savings in operator's time, in carbons, in printing costs usually pay for an entire installation after only a few months' operation.

Practically every railroad in the country is using Underwood Elliott Fisher Machines and Fanfold Forms today... using them not only for the extra speed and economy that they provide, but for

the absolute accuracy that is essential to railroad operation. Thousands of other businesses are using them too. Mail the coupon for free copy of "Modern Record Writing the Fanfold Way" or telephone or write our nearest Branch asking for complete demonstration. Be sure to do one of these things today.

the absolute accuracy that is essential to railroad operation. Thousands of other businesses are using them too. Mail the coupon for free copy of "Modern Record Writing the Fanfold Way" or telephone or write our nearest Branch asking for complete demonstration. Be sure to do one of these things today.

Accounting Machine Division
UNDERWOOD ELLIOTT FISHER COMPANY
Accounting Machines... Typewriters... Adding Machines... Carbon Paper, Ribbons and other Supplies
One Park Avenue, New York, N. Y.
Sales and Service Everywhere
Underwood Elliott Fisher Speeds the World's Business

Copyright, 1937, Underwood Elliott Fisher Co.

Accounting Machine Division BW 2-6-37
Underwood Elliott Fisher Company
One Park Avenue, New York, N. Y.
Please mail without obligation, of course, free copy of "Modern Record Writing the Fanfold Way."



Underwood

ELLIOTT FISHER FANFOLD MACHINES

Your Name _____
Name of Business _____
Address _____
City _____ State _____

MEMO to the chief

"You've had your way about having a good-looking plant even though we went pretty wild on motorizing our machines. Let us in the Engineering Department have our way about the new plant extension and how we're going to apply power to the machines we're buying. It might surprise you to know that putting a motor on every machine regardless is no longer considered modern. The best plants are not doing it. There is a newer, more efficient system of power application called Modern Group Drive which combines the best features of individual motor drive and lineshaft drive."

* * *

"Some of the new machines we're buying should be motorized. Others should be grouped and powered by one large group-drive motor. Wherever we can do that we save important money. Larger motors cost from 35% to 85% less per horsepower and you need less horsepower for the same number of machines. Larger motors have better power factor and in a Modern Group Drive set-up they bring down power costs. We can save on investment cost, on carrying charges, and on operation and maintenance, as well."

* * *

"And, chief, we can make a profit out of savings as well as sales by replacing some of the small motors in the present plant with Modern Group Drive, thus cutting down our power cost."

SEND FOR FREE BOOKLET

Our Red Book talks your language and tells with pictures and brief text why and where Modern Group Drive is more efficient and economical. Send for a copy today. Case studies are also yours for the asking. And at your call, without obligation, are Power Transmission Counselors throughout the country who co-operate with plant, consulting and public utility engineers in the modernization and installation of industrial power transmission systems.

POWER TRANSMISSION COUNCIL
73 STATE STREET • BOSTON, MASSACHUSETTS

A research association of producers and distributors of power, power units and mechanical equipment for transmitting power.



MODERN GROUP DRIVE

—the new efficient and economical way
of transmitting power to machines

suppliers of machinery, and from whom they can acquire many of the raw materials they need most.

It is significant that the Soviets now are stressing the "socialistic" as contrasted with the "communist" character of their new constitution. Some face-saving maneuvers will be necessary on both sides, but it is quite within the realm of possibility that better trade relations can be developed.

Many months ago, President Roosevelt was reported to have dreamed of a conference of the heads of all the great states to discuss plans for closer diplomatic and economic cooperation. The possibility that Hitler and Stalin might sit around the same conference table seemed impossible then.

Mussolini Not Averse

This week Mussolini was asked point blank what he thought of the possibility of such a conference, and after a moment's meditation declared, "It is not impossible."

No such conference will ever be called until some of the major current complications have been removed, and a general scheme for cooperative action worked out in advance.

Sir Walter Runciman's visit to Washington is the first of a series which will lead up to such a conference if it is held. As the longtime president of the British Board of Trade, he obviously was discussing primarily the possibility of a greatly enlarged commercial treaty with the United States, and one which probably will fit into the larger scheme of bringing Germany back into the international trade picture.

France's new ambassador to Washington, Georges Bonnet, will bring the French government's proposals for the big deal. Being more of an expert on finance, he is expected to discuss war debts, loans, and commercial credits.

Future of the Mark

Whether definite devaluation of the mark or the creation of a new mark with the assistance of the necessary foreign credits is contemplated at this time remains a question. Probably conversations have not yet explored that possibility, but ultimately it is a necessity.

Progress on a problem involving so many nations must necessarily be slow. Eden, Blum, and Hitler did not lay all their cards on the table. That must be done in small council chambers so that there can be two-way bargaining out of earshot of excited electorates.

But it is significant that none of the leaders has closed the door to bargaining, and negotiations for a big international economic deal are obviously already under way. When Dr. Schacht enters the picture publicly, it will be evidence that progress is being made. Informed observers believe that "something will be ready by late spring."

GMC

THE TRUCK OF VALUE



YOURS FOR PROFIT!

Whichever modern, quality GMC truck you select will prove a profit-maker . . . The 1½-2 ton GMC has scores of proved profit-earning features. At its extremely low price — only \$525, chassis f. o. b. Pontiac — it is an exceptional value . . . The half-ton GMC is in two big sizes — 126-inch wheelbase for bulky loads; and 112-inch wheelbase, priced lower than any GMC ever was! Both are the

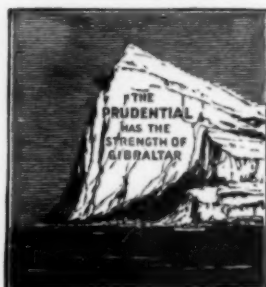
"truck-built" vehicles you'd expect from the world's largest exclusive builders of commercial vehicles . . . See the complete new stream-styled GMC line, ½ to 12 ton capacity—including new cab-over-engine models. Get all the facts. Then, prepare to be surprised at the low GMC prices.

GMCs range in capacity from ½ to 12 tons. Prices are extremely low on any basis of comparison. . . . **\$395 AND UP** . . . GMC F. O. B. PONTIAC

All prices f. o. b. Pontiac—Time payments through our own Y. M. A. C. Plan at lowest available rates

GENERAL MOTORS TRUCKS & TRAILERS

GENERAL MOTORS TRUCK & COACH
DIVISION OF
VEHICLE TRUCK & COACH MANUFACTURING COMPANY, PONTIAC, MICHIGAN



What if your
firm lost
Mr. Key?

If he is your active partner, or the equivalent in your incorporated concern, you should insure against the contingency of this heavy loss.

BUSINESS INSURANCE FOLDER
UPON REQUEST

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

EDWARD D. DUFFIELD, President

HOME OFFICE: NEWARK, N. J.

CHAMBERSBURG

SPECIFY MODERN DROP FORGINGS — *Always Stronger — Frequently Cheaper!*

SAFE!

THE drop forging made under Chambersburg Hammers has all the qualities of strength and resistance to fatigue, shock, stress or strain that has made the word "forging" synonymous with "safety," but in addition it is unusually light in weight and exceptionally accurate. It is writing a new chapter in industrial history. Write for details.

CHAMBERSBURG ENGINEERING CO.
Chambersburg, Pa.

HAMMERS • PRESSES

BOARD DROP HAMMER

First Fireproof Ship

Small 18-year-old craft gets rebuilding to meet new regulations by U.S. bureau.

LAST Monday the first fireproof ship put to sea. Asked, "How fireproof?" the builders said, "Absolutely."

She is the little 18-year-old S.S. *Catherine*, of the A. H. Bull Steamship Co., who rebuilt her as the first ship to meet the Bureau of Navigation's anti-fire regulations, which were evolved from the "Nantasket" tests, following the *Morro Castle* disaster.

The navigation regulations are not yet law, but the Bureau and ship men both expect an enabling act from this session of Congress. Because the *Catherine* was due for an overhaul, and because her Puerto Rico and Virgin Islands run is far from drydock, the Bull line anticipated the law rather than bring her back later.

Woodwork Is Negligible

Fireproofing was accomplished simply by using steel, asbestos composition, plastic, ceramics, and other such materials well known for years. The *Catherine* embodies all the new regulations, and exceeds them on the point that less than 1% of wood is used, whereas 10% is allowable if applied to fireproof surfaces.

The rebuild was by Maryland Drydock Co., of Baltimore, following plans prepared by Gibbs & Cox, Inc., naval architects and engineers. Fireproof construction and interior spaces were developed by J. Philip Kiesecker, maritime designer of New York.

Designers and builders assert that the methods and materials used in the *Catherine* are readily adaptable to ships of maximum size. Contractors' costs on the *Catherine* were increased somewhat by initial experiment with metal-shaping to camber and sheer. But further construction in all-fireproof materials presents no new cost problem.

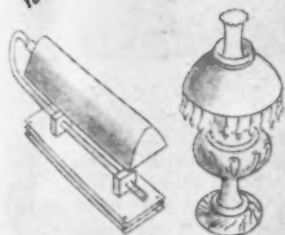
The *Catherine* is divided into compartments by insulated structural bulkheads that will localize any fire, however small or large. Insulation four inches thick covers all steel around machinery and working space. The same thickness lines deckhouses, bulkheads surrounding public spaces and stair wells, and the undersides of decks. Partitions between staterooms are fireproof panel supported by steel frame. All steel framing is carefully covered to prevent heat conduction. All doors are either steel with four-inch insulation or fireproof panel, and they close automatically. Floors, which are all steel, are covered with a form of magnesite. Most work floors are overlaid with rubber, some passenger floors with ceramic tile in color.

Berths, cabinets, dressers are metal or

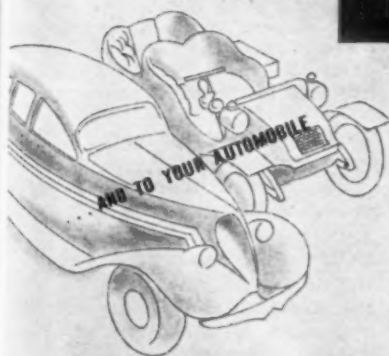
Believe it or not...Your office chair is 'way behind the times



YOUR LETTER WRITING HAS CHANGED



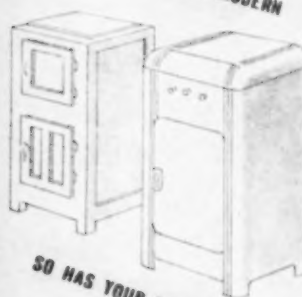
PROGRESS HAS COME TO YOUR LAMPS



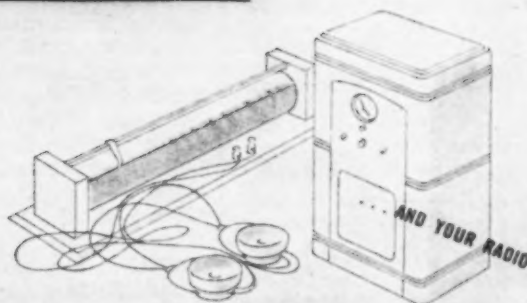
AND TO YOUR AUTOMOBILE



YOUR DESK HAS GONE MODERN



SO HAS YOUR REFRIGERATOR



... AND YOUR RADIO

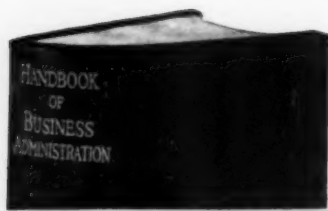
THAT spring contraption underneath your office chair—with its creaks and groans, its stiff, uncertain action, its dangerous tendency to spill you out on the back of your neck—that contraption is as old fashioned as a stenographer in high buttoned shoes.

NOW—thanks to the new Bassick Flotilt Chair Control—your office chair can be up-to-date. This amazing new control has no springs... never needs lubrication... cannot squeak... will never give you a

nasty fall because of a broken spring or spring bolt. It is the most outstanding improvement in office chairs in twenty years.

Don't take a chance on noisy, breakable springs any longer! Write The Bassick Company, Dept. B-27, Bridgeport, Conn., for the names of manufacturers who have modernized their office chairs with Bassick Flotilt Control. And make sure that the chairs you buy are equipped with this new and important development.

BASSICK *Flotilt* Chair Control



NOW—
Donald's HANDBOOK OF
BUSINESS
ADMINISTRATION
—plus a specially prepared
STUDY GUIDE

—offered on easy terms of payment

HERE is an idea and an offer that should interest every man who is determined to do something during the coming year to improve his ability as a business executive. With the Handbook of Business Administration, we will include, free, a comprehensive study outline which shows the reader how to study the book to the best possible advantage and how to apply what he learns to the particular job that he may be doing. In other words, we are giving, in effect, a complete home-study course in business administration, but without any of the frills or the expense inevitably attached to the usual course written for home use.

Donald's HANDBOOK
an encyclopedia of modern
business policies and methods

Donald's Handbook gives knowledge of functions, principles, policies, problems and methods in all departments of business needed by men who want to direct as well as do. Trains you to plan, supervise and control. Prepared by practical authorities in all fields. Based on methods in actual use by leading concerns. Covers same ground as college courses. Gives the meat of several ordinary textbooks in crisp, practical, handbook style.

Free—STUDY GUIDE

To help you get the most out of the Handbook, we give you Study Guide, written by the editors of the Handbook, especially to go with it. Guide lays out complete course based on Handbook. Shows how to read it—how to apply it to your job—how to study special divisions or whole field of business management—how to train yourself in business facts that lead most surely to advancement.

10 days' Examination
Easy Terms

Donald's Handbook of Administration, 1752 pages, 4½x7, flexible, \$7.00. Study Outline free with the Handbook. Pay only \$1.00 in 10 days and \$2.00 monthly for 3 months, or return the course. Send this coupon.

McGraw-Hill Book Co., Inc.
 330 West 42d St., New York

Send Donald's HANDBOOK OF BUSINESS ADMINISTRATION and STUDY GUIDE for 10 days' examination on approval. I will remit \$1.00, plus few cents postage, in 10 days and \$2.00 per month for 3 months or return Handbook and Study Guide postpaid, at the end of ten days. (We pay postage on orders accompanied by remittance of first installment.)

Name

Address

City and State

Position

Company BW-2-6-37
 (Books sent on approval in U. S. and Canada only.)

asbestos sheet, attractively finished. Such few fabrics as are used are flame-proofed and will not support combustion. Table tops and many panels here and there are bakelite. The 1% of wood retained appears in deck surfaces, dining chairs, occasional handrails, parts of movable furniture.

Despite nothing to burn, the ship is nerved with fire alarm systems, smoke detectors, which register in the wheelhouse. The holds are equipped with steam smothering lines and the usual hose connections. Engine and boiler spaces, lamp rooms, and paint storage are protected by carbon dioxide gas smothering devices.

What may seem, in writing, to be a hard, cold, metallic interior, to the eye appears colorful, warm, livable. Most of the materials are presented honestly for what they are; few are disguised as something else. Mr. Kiesecker chose to do a Spanish interior to match the Islands atmosphere.

Utility Spending

Light and power projects in Far West this year will cost more than \$100,000,000.

MORE than \$100,000,000 will be spent this year in the 11 Far Western states for capital improvements in electric light and power. Private utilities have budgeted some \$60,000,000 of this. The rest consists of appropriations to advance construction of government undertakings, notably Bonneville, Grand Coulee (both in the Pacific Northwest), the Central Valley Water Project in the Sacramento Valley, Calif., and the Los Angeles Metropolitan Water District.

Private companies will spend \$33,000,000 for distribution facilities, \$20,000,000 for transmission equipment, \$5,000,000 for steam plants (BW—Jan 2'37, p35), and \$3,000,000 for hydroelectric plants.

Two New Steam Plants

There's one big surprise in the utilities' program. With the extra generating capacity provided by the federal projects, it was expected that transmission and distribution would call for practically all the capital expenditures, but at least two major steam generating plants will be built, and the Pacific Gas & Electric Co. (central California) will begin a comprehensive hydroelectric development to be completed in 1940.

Perhaps because of the lesson learned in the lack of rainfall in the three Coast states last fall, fuel generating capacity will be stepped up this year from 33,450 kw. to 140,000. Hydroelectric capacity will leap from 285,000 kw. to 420,000. Transmission line mileage will be increased from 750 miles to 1,330; rural line mileage from 1,133 to



Business Week

WHERE THERE'S SMOKE — Tell-tale wisps of smoke give the exact location of any fire that might break out aboard the "unburnable" S.S. Catherine, the first passenger vessel to be rebuilt in compliance with the new safety-at-sea regulations of the Department of Commerce. Tiny funnels in the cabinet in the pilot house are connected to each hold. Temperature alarms (above left) ring whenever heat in any part of the ship becomes excessive. Steel, asbestos, and ceramics have been generally substituted for wood, which constitutes less than 1% of all the materials used in the ship.

1,350. The companies connected 84,655 new customers last year.

Expansion programs are based on energy sales. A survey by *Electrical West* reveals that an all-time peak of 19 billion kw.-hr. was generated last year in the 11 states. Hydro plants produced about 83% of this. Revenues from sales of energy reached \$268,000,000 compared with \$233,000,000 in 1935. They run about 12% of the national total.

Substation capacity will grow this year. The 64 private and municipal utilities in the 11 states report that new substations for 1936 totaled 70,000 kw. of capacity. In 1937, these organizations plan construction of 335,000 kw.

Rural electrification will be a major activity for many Western power companies this year despite the fact that in their territory the ratio of farms served to total potential farm customers is the highest in the United States. Rural Electrification Administration allotments for rural lines in this area are less than 6% of the country's total. The private utilities in the territory spent more than \$1,280,000 last year for 1,160 miles of new rural line and expect to more than duplicate the investment this year.

Business
 Japan pl
 tries not
 many w
 Italians
 confiden

A BILL is before
 monly imported
 meats, eggs, liqu
 of dutiable goo
 are abolished,
 duties, levied to
 appreciation, in
 new duty rate.
 shortage is rec
 suspend import

Really signifi
 double tariff s
 to cover 577
 will be levied
 countries with
 have commercia

The "hot
 Roosevelt and
 have been so v
 ing to come t
 the report of U
 ten foreign hu
 stock can be t
 of-America ow
 rose from 59;
 shares last ye
 that Netherlan
 stock went up
 574 shares in
 Holland's rele
 ard. England
 owner with 2
 erlands is a cl
 90,428 shares

F. W. Woo
 revealed in it
 holders that i
 ing raw mater
 prices on som
 present 6d li

In a foreig
 plus, two e
 foreign ma

Industrial r
 Iron & steel
 Electrical m
 Automobile
 Agricultura
 Aircraft, ac
 Iron & steel
 Steel-mill
 Printing &
 Office appli

Business Abroad

Japan plans double tariff, with higher rates for countries not having trade agreement with Tokyo. Germany will benefit little from joint concession with Italians in Ethiopia. British loan fails to restore full confidence in franc.

A BILL is before the Japanese Diet to raise duties on Apr. 1 on 754 items commonly imported. Included in the list are grains, flour, starches, oil seeds, pepper, meats, eggs, liquor, leather, drugs, chemicals, and medicines. The average rate of dutiable goods goes up only from 20% to 21%, and the 1934 luxury tariffs are abolished, but the 1932 specific duties, levied to counterbalance yen depreciation, in most cases become the new duty rate. The recent pig iron shortage is recognized in the plan to suspend import duties for two years.

Really significant provision is the double tariff system which is created to cover 577 articles. Higher rates will be levied against imports from countries with which Japan does not have commercial agreements.

The "hot money" that President Roosevelt and Secretary Morgenthau have been so worried about is continuing to come to the United States, if the report of United States Steel Corp. on foreign holdings of its common stock can be taken as a guide. Out-of-America ownership of Steel common rose from 592,853 shares to 604,587 shares last year. Pertinent is the fact that Netherlands' possession of the stock went up 11,100 shares to 223,374 shares in the period which marked Holland's release from the gold standard. England is the largest foreign owner with 240,208 shares; the Netherlands is a close second; Canada, with 90,428 shares, is a distant third.

F. W. Woolworth, Ltd. (England), revealed in its annual report to shareholders that it may be obliged by rising raw material prices to boost selling prices on some of its goods above the present 6d limit. Number of stores

operated in Woolworth's British chain was 677 in December, which includes 40 new stores added and 53 enlargements made in 1936.

France

Treasury situation stirs concern for franc. Business is good; Bourse firm.

PARIS (Wireless)—Blum's political position has been considerably strengthened in the last few weeks by his foreign policy. This, added to the business recovery which was bound to follow devaluation, has prevented the government crisis expected in January, but the recent weakness of the franc, and the higher cost of borrowing in London indicate that real confidence is not returning. Major factor aiding the opposition during the next few months will be the ticklish Treasury situation.

Doubling of the discount rate to 4% this week is expected to check anti-franc speculation and persistent gold losses. It is too soon to know whether the British loan is large enough to bolster the franc in international markets. It is significant that the lending rate is 3½%, against 3% paid last year.

In spite of the week's monetary uncertainties, the Bourse has been firm, es-

70c to China

Through airmail service from the United States to China is scheduled to begin with the flight of the regular trans-Pacific plane from San Francisco about Mar. 24. The plane flies by way of Hawaii, Guam, and the Philippines to Macao and Hongkong.

Rate schedules have just been released by Postmaster General James A. Farley:

		Macao	Hong-
From	To	U. S.	Hawaii Philippines
U. S.	\$.20	\$.50 \$.70
Hawaii20	.30 .50

Macao and Hongkong postal authorities have not yet officially announced their rates.

Transatlantic airmail service by the Airship *Hindenburg* is expected to be resumed early in May, with possibly 20 round trips to be flown if present plans carry through and the traffic warrants it. The present tentative schedule of departures from Lakehurst include three in May, three in June, and two in July.

pecially among the industrials. Rentes, however, have been depressed.

Tax returns have improved. December revenues amounted to 3,689,000,000 francs. Indirect taxes were 223,000,000 francs above the total for December 1935. The increase is due to the rise in prices and the revival of business.

The government has accepted a bill instituting the 40-hour week on the railways, expected to make jobs for 60,000 additional workers.

Germany

Despite Hitler's promises of international cooperation, Germany will continue self-sufficiency program. What Germany gets out of Ethiopia.

BERLIN (Cable)—The anti-isolationist thesis of Hitler's address last Saturday, however commendable, is not supported either by current developments or by the policy of the all-important Four-Year Plan. Though Berlin does not want war, Nazi officials are determined to pursue rigorously their program for economic self-sufficiency and restoration of the country to the unquestioned rank of a major power.

Likewise, the reassuring denial in Hitler's speech of the government's intention further to dictate to private business ignores the manifest fact that economic planning is definitely increasing, of necessity.

Announcement of the change in status of the Reichsbank and railroads is nothing more than a symbolic gesture of freeing them from the last formal and

These Exports Were Up

In a foreign trade year distinguished by the smallness of the export surplus, two export lines—metals and machinery—made striking sales gains in foreign markets. Here is a summary of gains made in 1936 over 1935.

Item	Gain over 1935	% Gain
Industrial machinery	\$37,131,000	31
Iron & steel semi-manufactures	19,526,000	32
Electrical machinery & apparatus	15,257,000	20
Automobiles, accessories, parts	12,915,000	6
Agricultural machinery & implements	11,958,000	37
Aircraft, accessories, parts	8,766,000	61
Iron & steel advanced manufactures	6,755,000	22
Steel-mill manufactures	3,932,000	14
Printing & bookbinding machinery	2,947,000	35
Office appliances	2,647,000	10

already inoperative Versailles restrictions. Since the Reich has long exercised virtually complete control over both, any future changes will be merely organizational.

The price fall of Dawes and Young bonds abroad is unwarranted by the reform, however, since no connection exists any longer between their servicing and the formal status of the Reichsbank and the railroads.

Plan for Ethiopia

German participation in the Societa Anonima Mineraria Africa Orientale Italiana has been extensively publicized by the Nazi press. Informed opinion believes, however, that it is much more important politically than economically.

It is openly admitted that the admission of German capital represents a compensation for German nonparticipation in economic sanctions against Italy during the Ethiopian war. It establishes an important precedent and strengthens Germany's position in her fight for the return of her former colonies.

As to the possibility of relieving Germany's shortage in copper and other metals, it is both uncertain and remote. Ethiopia's mineral resources have not yet been fully surveyed and in any case it will take years before they can be properly exploited because of inadequate transportation facilities. Therefore, Germany's theoretical right to purchase 25% of the new company's output is, so far, what the Germans call *Zukunftsmusik*—"music of the future."

Germany's main contribution toward this new venture is the appointment of an outstanding geologist, Herr von zur Muehlen, as chief technical expert of the company. He undertook a geological survey of the districts of Wollega and Harrar in 1930-1931. It is rumored that he discovered rich deposits of coal



MARKETS IN THE PHILIPPINES—Citizens of Manila chew Wrigley's, wash with Palmolive—and at least one has a Chrysler. Transport is sometimes by truck, sometimes behind the slow-moving carabao. They were our ninth best market last year.

and iron ore but has been keeping his findings secret. This makes him indispensable to the Italians. Von zur Muehlen is leaving for Ethiopia in February with a staff of six or seven experts.

Germany will probably supply her share of the company's capital (49% of the total) in the form of machinery and other industrial and transport equipment.

Great Britain

London anticipates trouble with Germany on colonial question. Sees further franc devaluation.

LONDON (Cable)—Hitler's speech is construed by British business leaders as a menace because it reiterates its de-

mand for a return of the former German colonies, and refuses to consider rearming.

The British public has been educated to regard the mandated territories as parts of the Empire. This is likely to create an awkward situation if the government finds it expedient at some time to discuss the return of the colonies as a part of a deal with Germany. Worst stumbling block would be Tanganyika where Britain has made large investments, where there is rich mineral wealth, and where there are strategic bases in both the Cairo to Capetown route and between Britain and the Far East.

Reciprocal Trade Problems

There is a difference of opinion here on the volume of new reciprocal trade which Sir Walter Runciman can have promised President Roosevelt, particularly because of the cross-ties of the Ottawa pact. The inability of industry to keep up with present abnormal demand, however, and the knowledge that Australia is turning to the United States again for supplies of manufactured goods, leads some executives to believe that London is contemplating placing large airplane orders in the United States.

The total volume of steel and machine orders placed abroad is already far ahead of last year but there is a limit to these, though not to the amount of foreign business which is being shifted to the United States because of the inability of the British to fill foreign orders promptly.

London is watching anxiously the effect of the unpegging of the spot franc following the granting of the £40,000,000 credit to the French. First reactions are no guide, as the market is generally

WEST MEETS EAST—In this sluggish creek in Manila, barges, unchanged in design since the Spaniards landed centuries ago, are unloaded onto a modern American truck. Tanks of a great American coconut oil refinery are seen in the background.

Walter J. Holmes



wildered. The credit h... two £8,000,0... more will follow... It is significant... present credit is... of England is... sterling, where... granted a year... Bank of Fi... skeptical of... business future... participating furth... some time.

Sweeping re... the British film...

The tramp s... renewed for an... mendation of... reviewing the... it had saved a... ness, had resto... unemployment... foundation fo... possible expan... In spite of th... from Japanes... goes have imp... few bottoms a...

Canada

Court ru... deal legi... new feder... tion on s... road pla...

OTTAWA—Th... laws have mo... Sam's, have... barrier of the... by the courts... proposed in... mooted in the... stitutional re...

A little m... saved from th... in United S... labor laws, control of m... because they... which the pr...

Specific la... employment... mum wages, of rest; nat...

Laws pro... tion of bus... clude: creat... commission, federal Tari... to handle t... penalties to... mission reg... ment for s... arbitration...

Decisions... of the Impe... on these lav... and, excep...



SOVIET CENSUS—As modern as the idea of a thorough-going census which the Soviets have just taken is the special machinery installed to count the results.

firmed earlier judgments of Canada's Supreme Court. The laws were passed at Ottawa in 1935 as part of former Prime Minister Bennett's new deal policy. Later in 1935, Bennett's Ministry was defeated in a general election.

Bennett now proposes a constitutional conference of the provinces with the Dominion. Other elements in parliament demand quicker constitutional action through a parliamentary committee. The Mackenzie King government, which has the say, is considering appointment of a commission to review the whole question of constitutional revision, including the financial relations of the Dominion and provinces.

In the meantime, provincial spokesmen give assurance of their willingness to cooperate with Ottawa for giving effect to the most desirable features of the new deal legislation. Nothing will be done inside a year at least beyond investigation.

Provincial Indebtedness Mounts

First concern in connection with federal-provincial relations is the financial condition of the provinces. A current report of the Bank of Canada shows total provincial indebtedness in excess of sinking funds rose from \$813,000,000 in 1925 to \$1,622,000,000 in 1935 (a gain of 99%). The Canadian Chamber of Commerce, under chairmanship of Henry W. Morgan, Montreal business man, supports the move to appoint a commission to survey the situation and recommend constitutional reform to ease the situation.

The government's plan, now before the Commons, for reviving the capital structure of Canadian National Railways would eliminate \$1,500,000,000 of liabilities duplicated in the books of the railway and the Ottawa government. Purpose of the plan is to remove the

current false picture of national and railway debt. The plan proposes abandonment of government claims for financial advances to C.N.R. to meet deficits with interest thereon, totaling \$856,000,000; transfer by the government to the railway of large blocks of stock charged as railway capital but having little or no value. Altogether, C.N.R. capitalization would be reduced by about half.

Canadian National has just announced details of its \$20,000,000 order for new rolling stock. Orders are for 3,000 box cars, 300 refrigerator cars equipped with new heating and cooling systems, 300 gondola cars, 58 flat cars, 15 snow ploughs. Firms securing orders are: Eastern Car Corporation, New Glasgow, N. S., National Steel Car Corp., Hamilton, Ont., Canadian Car & Foundry Co., Montreal, Canadian National Railway shops, Transcona, Man. Orders for 50 air-conditioned passenger coaches will be placed in a few days.

Ontario government bills removing the Ontario Hydro Electric Commission from liability under court judgments in the Quebec power company contract claims have passed the provincial legislature. Object of the legislation is to prevent companies from collecting regardless of court decisions.

Soviet Union

Moscow has purchased production rights for modern R.C.A. radios, television equipment from United States. Radio-equipped Buick-style car is in production.

MOSCOW (Cable)—Shaken by the "monstrous" widespread wrecking activities carried on in industry by the Trot-

zkysites who were exposed in last week's trial which ended in the execution of thirteen and imprisonment of four of them, numerous factory meetings have been adopting resolutions to increase output and improve efficiency as the best answer to the "Fascist Trotskyites and betrayers of the fatherland."

Executives Practiced Sabotage

Only now is the extent of the damage blamed on the condemned executives being made public. From his office in the Commissariat of Heavy Industry, Vice-Commissar Piatakov, who was executed Monday, for five years is alleged to have struck heavy blows in various fields of industry by deliberate delay in the installation of essential equipment.

Yakov Lifshitz, Vice-Commissar of Railroads, and Stanislaw Rataichak, head of the Union Chemical Industry, who were executed with Piatakov, are similarly accused of utilizing their positions of vantage to strike a serious blow at the régime in the hope that such action would cause embarrassment which would lead to its overthrow.

A new wave of enthusiasm is now being promulgated among the workers to offset the damage. More purchases, your correspondent is informed, will now be made abroad by Soviet purchasing commissions so as to modernize Soviet industry and the more rapidly raise productivity and conclusively prove how well Soviet industry can operate when cleansed of "internal enemies."

First indication in this direction is the announcement in the press this week of the purchase of drawings and rights of production for the latest models of R.C.A. radios. For years, Russians have been yearning for up-to-date radios, their own output having failed to satisfy the demands of purchasers of quality equipment. More than 100,000 of the new American sets will be produced this year.

New Radio-Equipped Cars

Production of a new model touring car resembling the Buick, in the Moscow plant known as "Zis," began yesterday. Though only 5,000 will be produced this year, a much larger production is expected in 1938. Each car will be equipped with radio.

The first shipment of American equipment for Moscow's huge television center is due to arrive in April.

Russians also are manifesting much interest now in the production of portable sound apparatus.

Ambassador Davies yesterday met Foreign Minister Rosengoltz for the first time for a half-hour informal talk. Undoubtedly American goods will find a much wider market here, now that the storm within has subsided.

Money and the Markets

Federal Reserve order raising banks' reserve requirements is welcomed by securities markets, glad to end the uncertainty. Commodities unable to get back into former stride, though copper is strong.

OTHER reserve requirements this week were greeted in securities markets with enthusiasm that they might have appeared to be just what the Street had needed. Into strike news was read the most optimistic interpretations possible. And, before the bulls paused for second thoughts, prices had shaken off recent uncertainty while several of the stock averages had pushed into new high ground.

To the casual observer it might have appeared that traders figured all bad news will later turn into blessings in disguise. Maybe the whole thing would be turned over to the silver lining department, but then again, perhaps the marketeers aren't the incorrigible Pollyannas they appear at first glance.

Waiting Is Over

Taking things in chronological order, the Federal Reserve's Board of Governors, over the week-end, announced the maximum hike in reserves required against deposits in two doses—33 1/3% the time it is in full force May 1. In a sense it may be said that this was what the markets were waiting for; they were waiting for the board to get over with. A wave of buying came soon as it was out of the way. So much for immediate repercussions of this means of "curbing the boom." What of its longer implications? The Federal Reserve, allowing for seasonal factors in the money markets, estimates that there will remain \$500,000,000 of excess reserves, sufficient base for close to \$3,000,000,000 of credit expansion. Earlier estimates that the excess would

Minus Into Plus

Proudly, the National Association of Mutual Savings Banks this week reported deposits at \$10,101,073,980 on Jan. 1, the highest ever. The gain during 1936 was \$183,260,928. But it is a statistical rather than a realistic increase. For this reason: Estimated interest paid during the year was \$234,000,000. In other words interest credited to deposit accounts actually exceeded the increase in deposits by \$50,000,000. The conclusion would seem to be that there was a decrease rather than an increase in mutual savings deposits, but that interest paid changed a minus into a plus sign.

top \$800,000,000 were made before the Treasury started sterilizing new gold and assumed that the boost would take effect early in the year.)

It is very clear from official figures that the banks have been working into position to meet the increase in required reserves. In mid-November 2,600 member banks lacked some \$350,000,000 of the reserves necessary. By the middle of January there were only 197 banks shy of the requirement. Reserves of \$110,000,000 were needed in New York and Chicago, \$11,000,000 in reserve cities, and \$2,300,000 by "country banks." Raising this \$123,-

300,000 should be easy. Hence there will be no temporary stringency in money rates, and the corollary to that is that short-term interest rates won't be much disturbed.

As to longer-term money rates—the rank and file of bonds—nothing but psychology is working for higher yields. Widespread talk of better interest has some sentimental effect on prices. But long-term government bonds snapped back from a quarter to a full point in the first two days of this week. Deficit financing will be diminishing, if not disappearing. And Social Security should diminish debt in public hands.

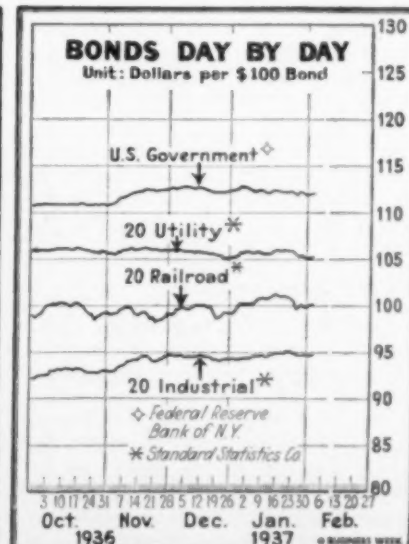
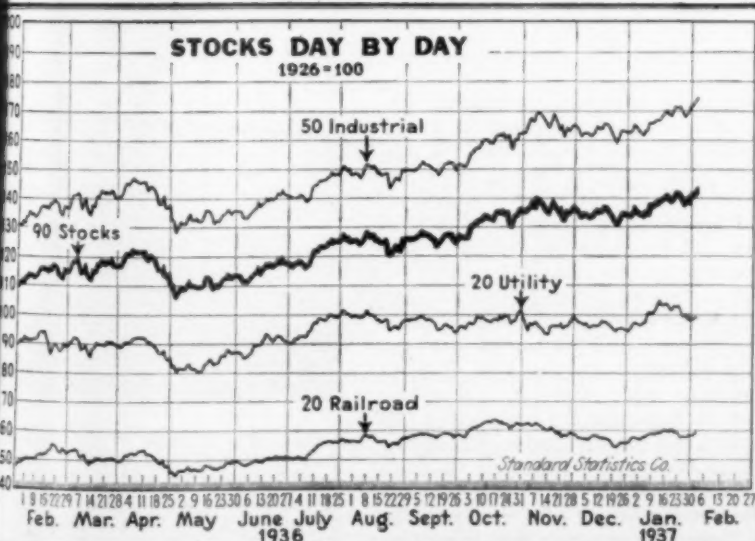
While commercial loans took up \$800,000,000 of member bank credit last year, they will have to rise a lot more to dent the \$3,000,000,000 backlog of possible credit expansion without forcing banks to rediscount. The net result, despite further firming in acceptance rates, is that the higher interest era is still around the corner. Stock market money—call and time loans on collateral—may go up, of course, because the big banks enjoy a monopoly market there. But securities buying is close to a cash-and-carry business now and such increases won't be very significant.

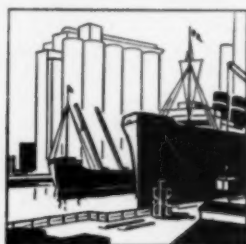
More "Control" Later

Tighter money now waits upon Federal Reserve open market policy. The Reserve banks may sell bonds (but not very soon) if credit needs more curbing.

Meanwhile labor can be counted on to provide the most important market news. General Motors' injunction to oust sit-downers and barring all picketing was seized as big bull news on Wall Street. Any setback to Lewis and C.I.O. pleases traders because it quiets fears over the impact of the expected strikers in steel and coal.

Commodity markets very definitely





Low Cost Capital to meet credit limitations arising from the R-P ACT

You can exceed open credit 1 to 3 times through LAWRENCE SYSTEM

Let us show you how your business may profitably meet manufacturing, sales and distribution problems despite the limitations on credit which may result from the Robinson-Patman Act.

LAWRENCE SYSTEM enables you to increase your operating capital economically. It puts you in a position to expand buying commitments and hedge against advancing prices.

When used by your customers, it solves their own credit problems and makes it possible for you to supply larger stocks on a sound basis.

The use of LAWRENCE SYSTEM does not interrupt normal business routines, nor entail use of finance company or other high-cost money.

Without obligation, consult Dept. D-4 of the nearest Lawrence office on any specific financing problem.

Creating Commodity Paper Against Inventory

**LAWRENCE
SYSTEM**

A. T. GIBSON, President

NEW YORK: 32 Wall St. • CHICAGO: One North LaSalle St. • BUFFALO: Liberty Bank Building
BOSTON: 49 Federal St. • KANSAS CITY, MO: Commerce Trust Bldg. • DALLAS: Santa Fe Bldg.
HOUSTON: 601 Shell Bldg. • LOS ANGELES: W. P. Story Bldg. • SAN FRANCISCO: 37 Drumm St.
FRESNO, CALIFORNIA: 2030 Anna Street • PORTLAND, ORE: U. S. National Bank Building
SPOKANE: 155 South Stevens • SEATTLE: 1014 Fourth Avenue South • HONOLULU, T. H.

have been having trouble getting back into the triumphant stride so characteristic until recently. A few weak sisters such as cocoa (page 58) restrained the bulls early in the week. There was a smattering of news, too, that failed to fit so neatly into the pattern of unrestrained optimism. All in all, though, the selling was pretty well absorbed in most directions; copper was a notable strong spot, and rallying tendencies cropped out in several other directions toward midweek.

Cotton, which recently had climbed as other commodities dipped, was under moderate pressure. Flood damage now promises to sell at bid prices rather than to sit back for all the market will bear, and persistent fears that the 1937 domestic crop will be big enough to depress prices. Corn was steady to firm in the face of Sec. Wallace's prediction that favorable growing weather will result in a surplus over home needs of

Wheat, Corn Firm

Similarly, wheat now shows better support after weakness on lagging Canadian exports, Southern Hemisphere pressure to sell at bid prices rather than to sit back for all the market will bear, and persistent fears that the 1937 domestic crop will be big enough to depress prices. Corn was steady to firm in the face of Sec. Wallace's prediction that favorable growing weather will result in a surplus over home needs of

350,000,000 to 450,000,000 bu. this year. (Perhaps his assurance that the potential carryover will be stored on federal crop loans (the ever-normal granary idea again) robbed the statement of important bearish implications.)

Tallow, depressed by larger than anticipated storage stocks, dragged down other fats and oils. Sugar was off on the processing tax agitation and the threatened offshore quota boosts to prevent the tax being passed on to consumers. Coffee met further profit-taking.

Conversion—Chesapeake Corp. bondholders have been busy—exercising their right to convert their bonds into common stock of the bountiful Chesapeake & Ohio Railway. With the road paying boom-time dividends, it has become advantageous for the owners of the 5s of '47 and the 5s of '44 to swap their lien for an equity position (BW—Oct 10 '36, p22).

To Chesapeake Corp. stockholders each bond conversion is full of meaning. Every time a '44 bondholder turns in a debenture, 20 shares of C. & O. common glide out of Chesapeake Corp.'s possession. Each time a '47 bondholder turns a bond in, Chesapeake Corp. loses 22.74 shares of C. & O. common. Which has a direct effect on the earning power of the corporation.

True, the company's debt is reduced, but since the dividends on the C. & O.

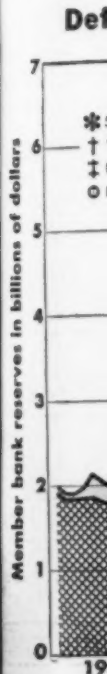
stock which slips away exceed the interest paid, the earnings per share of Chesapeake Corp. stock fall off. In the past, Chesapeake Corp. stockholders learned only once a month how fast and how slowly their income from C. & O. was dwindling (likewise their control over the railroad). But a recent reform, instituted in conjunction with the New York Stock Exchange, should be helpful to stockholders and investors. The corporation will report daily the extent of bond conversions. What means that Chesapeake Corp.'s position with respect to C. & O. can become a daily dinner table topic.

Big Steel—Stockholders in U. S. Steel can hardly be sore about the market action of the common this year. The issue has been a humdinger. There are stories. The company would float a \$100 million bond issue, pay off preferred arrears and put the junior stock on a dividend basis. Earnings estimates for 1944 run—sometimes—into two figures a share, but that seems to be carrying optimism over to the alcoholic side.

There is another factor in the strength of steel. John L. Lewis hasn't found the going any too soft in his bout with General Motors. His prestige has not been enhanced notably. And it just may happen that he won't be any too strong next April—when he's scheduled



ARIEL—The goddess of air now perches atop the subtreasury dome of the Federal Reserve Bank of England—a saucy symbol of the modern era of currency aerobics. The statue, which has just been unveiled, is covered with gilt. Gold leaf, obviously, would have been inappropriate.



DOWN TO \$

all boost in does not expect would indicate operations—the tions got tig backtracking.

FEBRUARY 6, 1937

make demands on the steel industry. But, the market (which, incidentally, has been good to all steel issues) may be anticipating that the steel companies may not be becalmed by the Committee for Industrial Organization.

• Anecdote—Sick and tired of taxes, government regulation, and the New Deal, a staunch New Englander who worked for Norman Thomas in 1932 and for Alf. M. Landon in 1936, decided at the Nov. 3 results were too much for him. He would sell his prosperous business and be done with it all.

Conferences with investment bankers followed. Yes, they'd relieve him of his burden. They'd pay him well too—18 times earnings. And the company was enjoying the best year in his history! He decided to chew the offer over. He declined it. Why?

"Well," explained he, "it's this way. Suppose I had sold. What would I have done with my money? If I wanted to get back into my own company, I'd have to buy into it at 18 times earnings at the very least. And if I wanted to buy other common stocks, I'd have to pay 20 times earnings. All around, it

was cheaper to keep my own business—a business that I knew—at 15 times earnings, taxes or no taxes."

Petroleum Push—Oil stocks didn't make much, marketwise, of the recent advance in crude prices or the subsequent adjustment of gasoline quotations. But, says the Street, that was because the news had been anticipated and discounted well in advance.

Earnings of the oil companies in 1936 were up substantially and this group has more friends than at any time in years. Market prognosticators have been opining for months that the oils would do better than most stocks over the near future, and they still like these shares for 1937. But the bulls are up against a public which has probably been more often disappointed in oils than any other classification over the last 10 years—rarely, when an "oil market" has been predicted, has the group done as well as the industrial averages.

Statistically, though, present predictions are interesting. A group of 16 independent oil companies—on reliable estimates and reports so far made public—averaged net earnings of \$2.11 a

PLACE YOUR INCOME ON A SOUND BASIS

PROFIT FROM INTELLIGENT INVESTMENT PLANNING BY USING THESE THREE TOOLS:

1—The Financial World—The editors of this 34 year old investment weekly are constantly investigating security values to determine which ones are sound for the investor. This is a service a busy business man is unable to provide for himself.

2—Stock Factographs—Boiled-down fact and figure studies which give you a quick picture of the earning power of America's leading corporations. Each "Factograph" shows the financial set-up of the company analyzed, together with earnings, dividend record and price range of the stock. Net working capital, type of management, prospects and other information are included to give you a well-rounded digest.

3—Independent Appraisals of Listed Stocks—Latest complete ratings and statistics on all active New York Stock Exchange and New York Curb Exchange stocks—A pocket size presentation with comment on the current position of every company.

These timely investment aids will enable you to buy values only and avoid trading tips.

PREPARE for sounder investing by returning coupon with \$1 for the next four issues of The Financial World Independent Appraisals covering 1300 listed stocks and 64 revised "Stock Factographs". If not satisfied your money will be refunded without argument.

Name Dept. 12

Address

The FINANCIAL WORLD
America's 34 Year Old Investment Weekly
21 West Street New York, N. Y.

COLUMBIAN CARBON COMPANY SIXTY-FIRST CONSECUTIVE QUARTERLY DIVIDEND

The Directors of Columbian Carbon Company have declared a regular quarterly dividend of \$1.00 per share, and a special dividend of \$50 per share, payable March 10, 1937 to stockholders of record February 13, 1937 at 3 P. M.

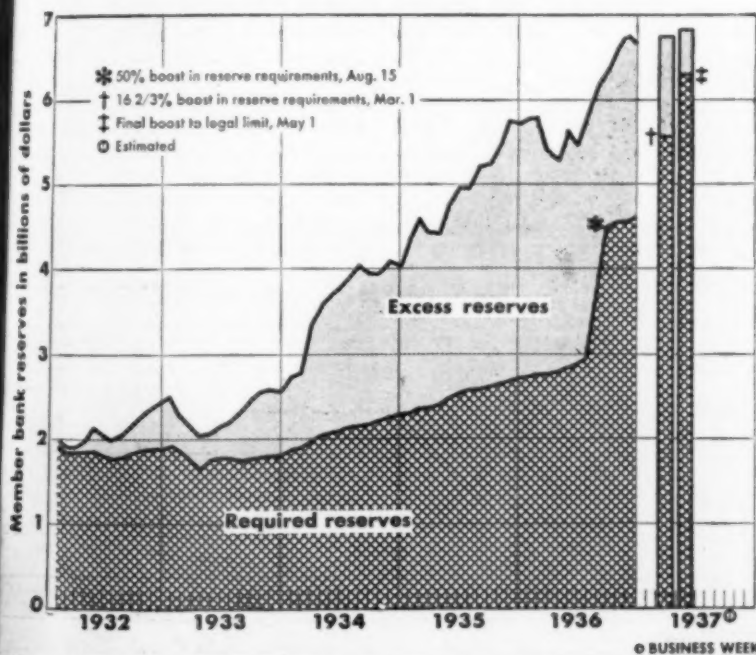
GEORGE L. BURR, Treasurer.

Slump

Now ready: "Slump Ahead in Bonds." Another startling and prophetic pamphlet by Major L.L.B. Angas, Author of "The Coming American Boom." Investment Consultant: 301 Park Ave., N.Y.C. It has set all Wall Street talking. Somerset Co., 461 Eighth Ave., N. Y. C. At all Bookstores. 50 pages. Price \$1. No one holding Bonds, or Stocks, can neglect this provocative pamphlet.

RESERVE BOARD DOES IT AGAIN!

Deflates Adipose Reserves—Here's How:



DOWN TO \$500,000,000—That's where excess reserves will be on May 1 after the full boost in member bank reserve requirements takes effect. The Reserve Board does not expect to ask Congress for additional authority to raise requirements. Which would indicate that the board feels it can control bank credit through open-market operations—that is, by selling government bonds (see page 22). And if credit conditions got tight, the board could reduce reserve requirements, though that would be backtracking. Still—whatever has gone up, can come down.

INVESTORS

—ten rules for 1937

OIL STOCKS

—are they a buy?

AVIATION

—investment outlook

INSURANCE

—insurance stocks

CHEMICALS

—a purchase now?

Write for these reports
—sent to you gratis

Babson's Reports

Dept. 99-60, Babson Park, Mass.

Send—gratis and without obligation—the reports you mention.

Name

Address

HERE'S HELP

for technical
and business
men

New 1937

Catalogue of

McGraw-Hill Books

YES, this is a catalogue—but it's no ordinary one. It is a guide to stimulating informative books by over 1200 leading minds in business, industry and research. In its 272 pages, you'll find clear, concise descriptions of more than 1500 books covering many business and technical subjects. What's your most urgent interest now? Somewhere in this big McGraw-Hill Catalogue you'll find the up-to-date books that will give the facts—experience—data—you need in solving your particular problem.

Send for free copy.

McGraw-Hill Book Company, Inc.
330 West 42d Street, New York City



share in 1936 against \$1.25 in 1935. At present prices (and they've done somewhat better than the market as a whole so far this year), junior shares of these companies are selling at little more than 15 times earnings, with further improvement likely, barring unforeseen complications. Shares of one company (which, incidentally, didn't report a deficit in any of the last seven years) are selling at only 13.4 times earnings for 1936 and 15.9 times those for the 1929-36 period.

Oil company dividends haven't been as liberal as those of many industrials because petroleum producers can use depletion as an undistributed earnings tax dodge.

Air Pockets—Those conservative souls who have been predicting that runaway markets in commodities would go on the rocks are having at least a brief inning. Prices have flattened out; a few have broken badly, and one of these is the cocoa quotation. Ten days ago there was a sharp spill. On Monday of this week the bean was down 100 points—1¢ a lb., the maximum swing allowed by the New York Cocoa Exchange in a single day. Unaccustomed to selling, the bull crowd ran, stop-loss orders were uncovered, and prices which recently topped 13¢ a lb. got as low as 9½¢.

But the trade wasn't satisfied with explanations as simple as over-speculation. More spectacular reasons were brought forward. London, blamed for the rise in so many commodities, was held accountable for the smash in cocoa. One of the biggest British houses, the story went, launched a bear raid to drive down the price so that it could buy raws more cheaply on Africa's Gold Coast. (Natives there have been asking remarkable prices, it is true, but a firm

controlling a big share of the crop would be running prices down on itself in a bear raid. Of course, it may expect to put quotations up again later.)

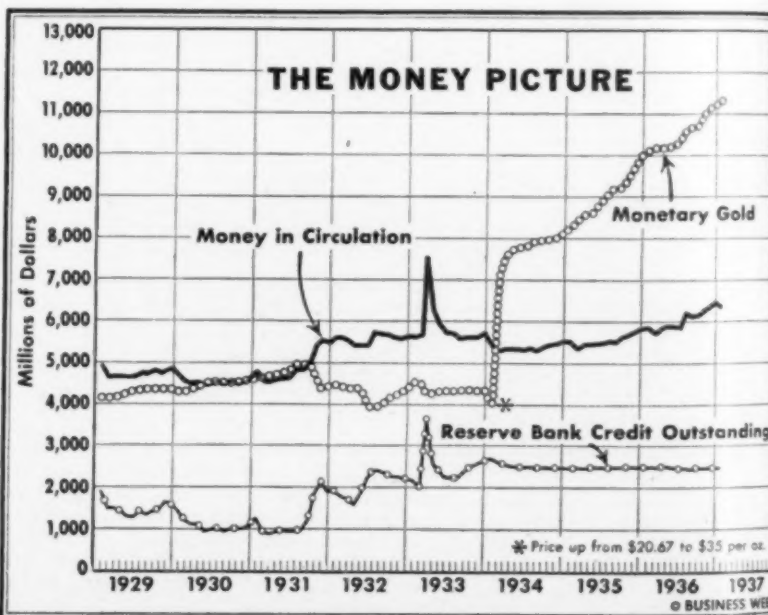
Another story was that an American manufacturer, with big stocks of actual here and afloat, was a liberal seller.

Machado Mess—Cuba ousted President Machado back in the middle of 1933 and, at the start of 1934, defaulted on the debts incurred by his government for public works. Affairs were \$60,000,000 of bonds (the 5½% 1945, sold in the United States) and among other items, \$13,000,000 owed to the American company which built the road which traverses the island.

The American roadbuilder was Warren Bros. Co. Its business had improved enough to carry the Cuban loss, so, last Monday, the company appeared in Federal District Court in Boston and applied for reorganization under 77-b. Immediate payables totaled \$1,987,500 including a \$1,487,500 maturity, and current assets had dwindled to \$1,432,725. Since 1935 \$5,000,000 has melted off surplus.

Interest and principal payments from Cuba over the three years since the default should have brought Warren Bros. close to \$4,700,000. Fluctuations in the common stock—as well as in the defaulted 5½% bonds—have been the barometer by which Wall Street judged the on-again, off-again negotiations for a Cuban settlement. Even since the recent political upheaval, both issues have been nudging new highs, so Warren's reorganization move came as a surprise.

The company's common stock broke more than 4 points to 6½ on Monday. At that price it was back almost to the 1936 low of 4½, from which it rose to a top of 12½.



JANUARY 6, 1937

Editorially Speaking—

WHAT you need in a house organ is interesting personal items. For example, *Schenectady Works News*, published by the General Electric Co., reported that "C. Cameron spent the week visiting in Rutland, Vt.," that Jack "drove to Binghamton via ...," and that "Tom Beaver seems to be going places now that he has had a new rear end installed."

SEVERAL thousand boys were asked what they wanted to be when they grew up, and 17% said aviators, 11% law-ymen, and 53% a lot of other things. That leaves 19% for the favorite job, one that even outranks aviation. 19% said they wanted to be—newspapermen! Well, blame it on the movies, which have washed all the gray-matter and drudgery out of a newspaperman's job and made it seem a bright and sassy adventure.

IN a recent speech, Dr. Nicholas M. Butler had something to say about "the English-speaking race." This fabulous species is on a par with the music-singing race, the tobacco-smoking race, and the Aryan race. It doesn't exist. There is an English language and an English country, but no English-speaking race, for English is a planetary language. There is an Aryan, or Indo-European, group of languages, but there is no such person as an Aryan or Indo-European.

EDWARD WARD, who has been a missionary among the Yoruba people in West Africa, says the only way a Yoruba man can show he is somebody is by having a number of wives. A big shot will have as many as 400 wives, and when he dies his brother inherits them. That sort of thing can't go on indefinitely without provoking a demand for redistribution of wealth.

JULIAN HARRIS, one of the most distinguished Southern writers, became editor of the *Chattanooga Times* a few years ago. He seems to have made a considerable number of enemies, notably late Senator Fletcher R. Morgan, who says, "I have had to submit to his black-mailing articles in his editorial column." Why Sen. Morgan, who is a lawyer and a successful politician, should have to submit to blackmail isn't clear. Maybe the thing he's had to submit to isn't blackmail; maybe it's truthful comment. Anyhow, he's induced his fellow senators to pass a bill providing that anyone who publishes an "untruth" about anybody on a newspaper editorial page shall be forever prohibited from editing or publishing any newspaper in the state.

Of course Sen. Morgan can't get away with this. The United States

Supreme Court won't let any legislature prohibit a free press. But the fact that the Tennessee Senate, by a vote of 29 to 1, should pass such an unconstitutional and despotic bill is proof of an unhealthy drift.

FRANCIS BEEDING has written a mystery story, "Murdered One by One," and the ad asks: "Who was killing the members of the Hampstead Literary Club one by one—and why?" You mean why one by one?

THE Carnegie Foundation for the Advancement of Teaching wants to change our methods of education. It says "the traditional system of selection by examinations is beginning to be found inadequate." Well, of course all an examination does is to test the students' knowledge and ability. If you don't want to judge them by their knowledge and ability, there's no sense in examining them. But in that case, what are they to be judged by?

RAILROADS say there's been a decline in illegal traveling on trains—that is, in bumming. But Prof. Carlos Talleyrand, who is described in news dispatches as "formerly of the Department of Languages at the University of Minnesota," thinks bumming ought to increase. He does a lot of it himself. "Hit the road," he advises students when he drops off a freight train in a college town. "Go to the college of experience. Let the professor of hard knocks give you a diploma."

Whether you let him or not, the professor of hard knocks will give you a diploma—if that's your word for it. Prof. Cinder Dick will slam you off the freight, and Prof. Town Clown will sling you into the can, where you can tenderly nurse your diploma, and if it's a ribbon of crepe on the eye you needn't ask for a beefsteak.

ELINOR GLYN has written her autobiography, and it reads a good deal like her fiction. Only instead of He and She, it's He and Me.

MISS GLYN tells of a millionaire who suggested that they cooperate in producing a eugenic baby. He had a good line. Not altogether new, but good. Still not good enough, because it didn't work. He suggested flatteringly that "his wits, matched with my cultivation of mind and old race, fine bones, and soaring spirit, would produce a perfect being, worthy to inherit great wealth." Miss Glyn herself didn't inherit great wealth, but she inherited what you might call a warm disposition. There was always a smile on her mother's lips, and a glynt in her father's eye.



"—TWO, IF BY SEA"

This timely warning preceded Paul Revere's stirring midnight ride to rally the colonists to defense from approaching danger.

But American business is faced with potential enemies, of whose presence no timely warnings are given. Robberies, embezzlements, forgeries and costly accidents strike suddenly and may wreck the stability of any concern that lacks the protection of sound Casualty Insurance and Bonds.

For 52 years, Standard of Detroit has protected business and individuals against unforeseen financial dangers, until today over a million persons are protected by some form of its Casualty Insurance or Bonds.

Consult your local Standard agent for a sound program of Casualty Insurance and Bonding Protection

**STANDARD ACCIDENT
INSURANCE COMPANY**

Standard Service Satisfies

BUSINESS WEEK

The Journal of Business News and Interpretation

FEBRUARY 6, 1937

Check-Valve on Credit

Despite the opposition of many country banks and a few city banks, the Federal Reserve Board has gone ahead with its policy of credit control, in order to prevent business expansion from getting out of hand at any time in the next few years. We think its policy has been sound and its method logical. By sticking to its course, the Reserve Board has won the respect of the financial community, strengthening itself for the day when it may need to exert its legal and moral authority to check excesses in business and speculation.

Last summer the board instituted its first increase in the reserve requirements of member banks. It has now made another and final increase, half of it effective Mar. 1, the rest May 1, so that the banks will have ample time to make the necessary adjustments.

The board's order produced a degree of nervousness in the bond market. This may continue for a time, if the banks liquidate some of their holdings to increase their reserves. But there are still large deposits in the banks to the credit of insurance companies and individual investors, who will buy bonds as they weaken, and so the bond market is apt to remain fairly stable. Certainly there is no shortage of cash for investment. The action of the Reserve Board affects not the individual holder of cash but the power of the member banks to lend money.

Nor is that power impaired for the time being. After May 1 the banks' excess reserves will be down to about half a billion dollars, which will permit a credit expansion of three billion. If the banks go beyond that, they will have to borrow from the Federal Reserve Banks, paying the rediscount rate fixed by the Reserve Board. Through regulation of the rediscount rate, the board will be able to raise or lower the cost of money to the member banks, and, indirectly, to their borrowers. Besides, the Reserve Banks, as creditors, will naturally have an important voice in the member banks' lending policies.

Some leading bankers have urged a restoration of "the regulatory function of the interest rate." The usual theory of the interest rate is that, when it rises, business is deterred from debt because of the higher cost of defraying it. Probably, however, the

detering effect is more subtle. When a business man sees a profit ahead, he is seldom held back by the cost of money. But the rising rate may make him fear a further rise and an eventual inability to borrow. It is this darkening outlook that causes him to put on the brakes.

But anything of this sort is far ahead of us. The Reserve Board has merely put itself in a position so that ultimately it can regulate the credit-issuing power of member banks. How wisely the board will use that advantage nobody can say. But thus far it has behaved competently.

Control of Japan By Army Socialists

Japan moves steadily on towards complete military control of the government and the institution of a Fascist or Socialist economic system. Gen. Hayashi, the new premier, is considered "relatively moderate," which means that some members of his cabinet are more extreme than he is. It is conceded that the army and the navy have won four-fifths of their demands.

Gen. Ugaki, the retired officer who was previously chosen for the premiership by the Emperor, was vetoed by the army and the navy, and as a result has resigned his generalship, wholly withdrawing his name from the army rolls. "The army," he says, "is becoming more and more like a military body. Japan is now standing at the crossroads of Fascism or parliamentary government."

In fact, with the induction of the new cabinet, Japan has gone beyond the crossroads. Business has lost its fight to moderate the huge military expenditures in China. The War Office, in an official pamphlet, declares that Japan must copy Soviet Russia's economic system. "It is impossible to get sufficient armaments

from the present system," says the War Office. "The attempt would bring about national bankruptcy and dissolve the unity of the nation. We must set up a new economic system."

This is much like Mussolini's words a few days ago: "Democracy is only a mask for capitalism. The era of capitalism is over. Here in Italy it is finished, it is dead." In Japan the army is talking in the same Socialist way, and it is imposing its will despite the resistance of business.

Sec. Perkins' Plan For A President-and-Judge

Usually any major proposal by a Cabinet member has a background of discussion. For months or even years it has been talked about by members of Congress, and government officials and business and civic associations. The reasons for and against are debated, and finally a Cabinet member supports it. That is how public opinion gets its chance to work. It is by this method that democratic government in the United States has succeeded. The American people have not been at the mercy of bright improvisations by Cabinet members.

But Sec. Perkins is an exception. Her subpoena plan for labor controversies has apparently sprung straight and instantaneously out of her own forehead. Perhaps this is not so. It may be that somebody, somewhere, sometime, suggested that the Secretary of Labor be empowered, in labor controversies, "to issue subpoenas for the production of books, papers, records, and witnesses, and the authority to administer an oath and take evidence under oath." But certainly the first the public ever knew of this idea was when Sec. Perkins sprang it on Congress, saying, "Here it is; please pass it in a hurry."

Well, Miss Perkins, we like your nerve. Only someone with a lot of it would have supposed that Congress would quickly accept this sudden scheme to obliterate the Constitutional division of powers and make the executive a judge. All executive powers are vested in the President. All Cabinet members are his servants. A plan to give the President the power of subpoena and examination should certainly not be approved in a hurry.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York. Tel. MEdallion 3-0700. Price 20¢. Subscription: \$5.00 a year, \$10 for three years. U. S. A., possessions, and Canada. Other foreign, \$7.50. Cable Code, McGrawhill.

Glenn Griswold
Vice-President and Editor

Ralph B. Smith
Managing Editor

Paul Montgomery
Manager

News Editor, Louis H. Engel

Staff Economist, Transportation, J. A. Livingston

Foreign, John P. Chapman

Finance, Clark R. Pace

Management and Labor, Frank R. King

New Products, W. W. Dodge

Statistics, R. I. Carlson

Chicago (Marketing), O. F. Rost

Detroit, Burnham Finney

San Francisco, Cameron Robertson

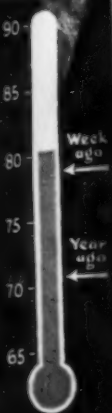
Washington, McGraw-Hill Washington Bureau; Irvin Foos, Special Correspondent

FEB. 13

1937

B

BUSINESS
INDICATOR



says the
would
policy and
on. The
system
is word
is only
era of
Italy is a
Japan the
Socialist
will de
ess.

or
ge
by a Cab
nd of dis
n years i
mbers of
official
ociations
t are do
member
w public
work. In
ratic gov
s has suc
ople have
right im
bers.

exception
labor con
sprung
out of her
is not so
somewhere
Secretary
labor con
as for the
s, records
thority to
evidence
y the first
s idea was
t on Con
lease pas

Like your
a lot of it
Congress
is sudden
stitutional
make the
executive
ident. All
rvants. A
the power
on should
n a hurry

New York
three years
McGrawhill

Montgomery
Manager

A. Livingston
Frank Rising
Leslie Post
on Robertson
pendent

WIGHT AN
ograms
House ex